

COMMENTS ON FINANCE BILL 2026



PROPOSED AMENDMENTS VIDE FINANCE BILL 2026 | COMPARISON & COMMENTS

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Readers are requested to provide their valuable feedback and suggestions for improvement. All such inputs will be duly considered while preparing the final commentary after the enactment of the Finance Act 2026.

The amendments proposed in the Bill are expected to take effect from **1st July 2026** (unless otherwise specified), upon enactment as the Finance Act 2026, following approval by the National Assembly and assent by the President of Pakistan, with or without modifications.

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FOR: REANDA HAROON ZAKARIA ASSOCIATES

JUNE 12, 2026

FEDERAL BUDGET 2026
AT A GLANCE

=== PKR in Billions ===

2026-27

2025-26

Revised

RESOURCES

Internal Resources

Revenue Receipts (Net)

Direct tax

Indirect tax

Non Tax Revenue

Less: Provincial share

Privatization Proceeds

7,613

6,432

7,651

6,551

5,336

5,093

(8,848)

(7,592)

161

14

11,913

10,498

External Resources

6,780

5,025

18,693

15,523

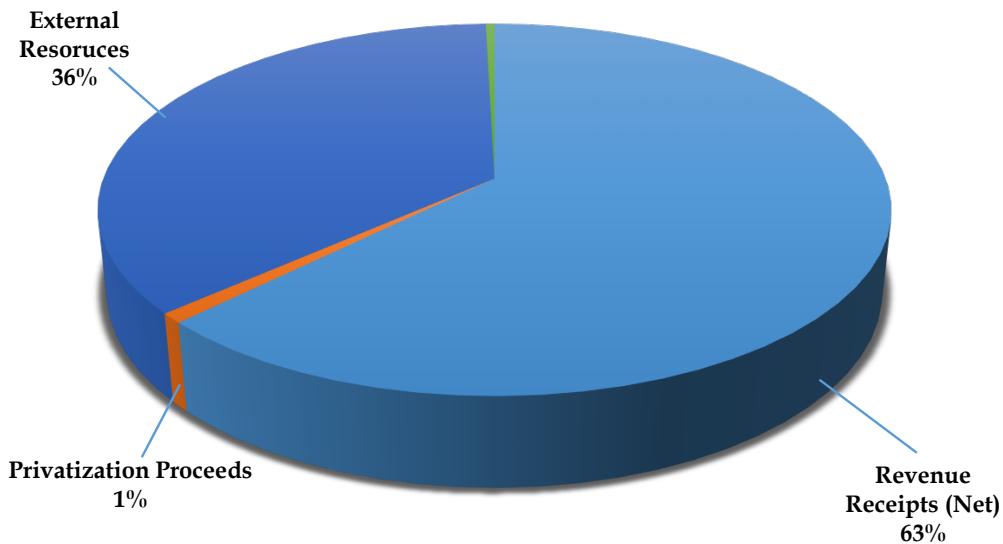
Net Domestic Remaining

78

507

18,771

16,030



EXPENDITURES

Current Expenditures

Development Expenditures (PSDP)

17,771

15,030

1,000

1,000

18,771

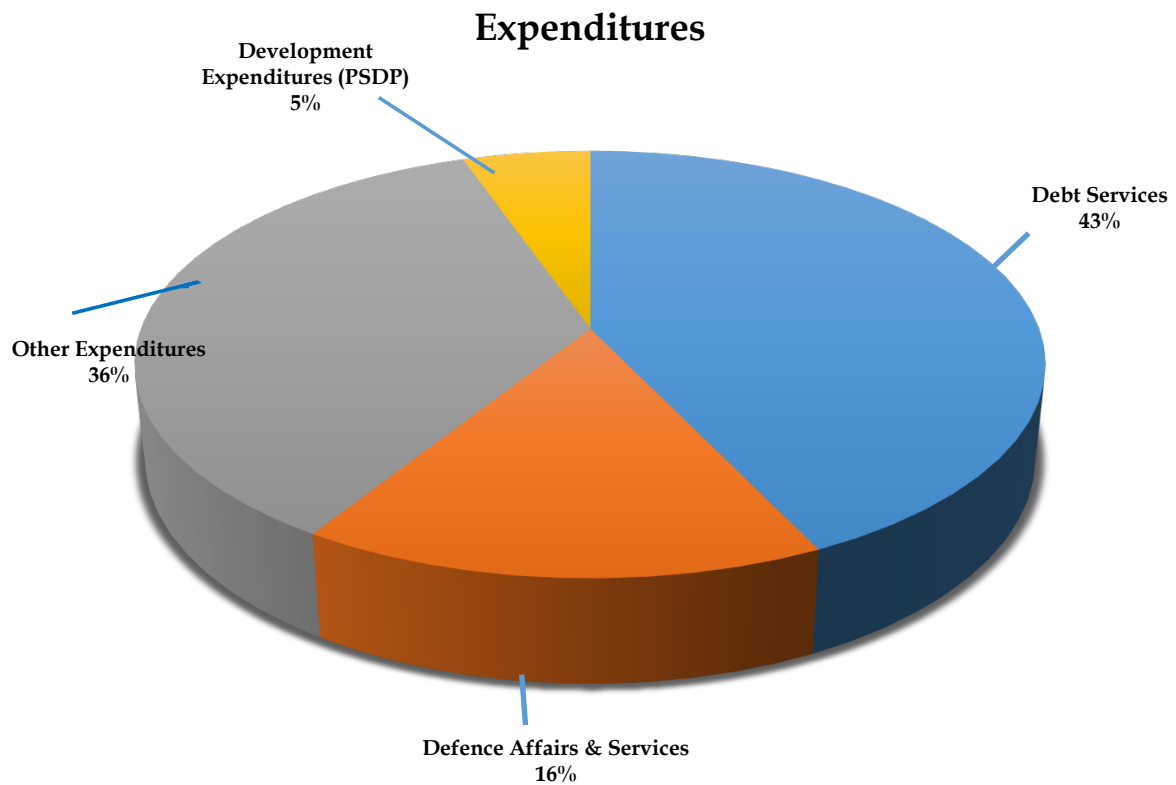
16,030

=== PKR in Billions ===

	<u>2026-27</u>	<u>2025-26</u> <u>Revised</u>
Revenue Receipts (Gross)		
Direct tax	7,613	6,432
Indirect tax		
Customs	1,651	1,366
Sales Tax	4,927	4,334
Federal Excise	1,073	851
	15,264	12,983

EXPENDITURES

Debt Services	8,054	6,937
Defence Affairs & Services	3,000	2,588
Other Expenditures	6,717	5,505
	17,771	15,030
Development Expenditures (PSDP)	1,000	1,000
	18,771	16,030



FINANCE BILL 2026

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SALIENT FEATURES | FINANCE BILL 2026

INCOME TAX ORDINANCE, 2001

1. Seeks to provide relief on taxation for salaried individuals by increasing threshold for taxation.
2. Seeks to abolish tax on deemed income under section 7E of the Income Tax Ordinance, 2001.
3. Seeks to abolish super tax on persons having income up to Rs. 500 million and providing relief by reducing super tax from 10% to 8% other than Banking, ENP and fertilizer sectors.
4. Seeks to provide relief and to encourage and facilitate real estate sector by reducing tax u/s 236C (for sellers) from (4.5% - 5.5%) to 2.75% flat and reducing tax u/s 236K (for buyers) from (1.5% - 2.5%) to 1.25% flat.
5. Seeks to reduce withholding tax on exports from 2% (1% minimum tax and 1% advance tax) to 1.25% minimum tax to encourage exports.
6. Seeks to extend period for concessionary tax rate of 0.25% on IT and IT enabled services till tax year 2029.
7. Seeks to reduce tax on foreign payments through cards from 5% to 0.5% for ease in international transactions.
8. Seeks to impose more tax on e-commerce/digital businesses by classifying income under normal tax regime for persons having turnover exceeding Rs. 200 million in a tax year.
9. Seeks to allow proportionate tax credit on investment made in electronic resources integration with FBR's computerized system.

10. Seeks to withdraw advance tax on foreign TV plays and advertisements to promote art and social culture.
11. Seeks to facilitate tax exemptions for charitable and welfare organizations by including the following entities in sub-clause (4) of clause (57) of Part I of the Second Schedule to the Income Tax Ordinance, 2001: Pakistan Red Crescent Society, Shaheen Foundation, Bahria Foundation, SIUT, and Dawat-e-Hadiya.
12. Seeks to facilitate capital market development by exempting the income of qualifying Special Purpose Vehicles established for asset-backed securitization.
13. Seeks to facilitate resident Pakistanis by abolishing Capital Value Tax on foreign movable and immovable assets owned by them.
14. Seeks to facilitate small traders by increasing the turnover threshold for withholding tax exemption from Rs. 100 million to Rs. 200 million.
15. Seeks to facilitate funds and eligible non-profit organizations by providing for the issuance of exemption certificates for the entire financial year, subject to prescribed conditions.
16. Seeks to clarify the determination of the cost basis of inherited immovable property and the tax treatment of family settlements following death.
17. Seeks to discourage misuse of life insurance policies by imposing tax on sham life insurance schemes.
18. Seeks to introduce a withholding tax regime on income earned by digital content creators and social media influencers from online platforms.
19. Seeks to rationalize withholding tax rates on services through revision of rates for specified services and independent professionals.

20. Seeks to increase the reduced minimum tax rate for distributors, dealers, sub-dealers and wholesalers of specified sectors from 0.25% to 0.5%, subject to prescribed documentation requirements.
21. Seeks to broaden the tax base by enabling algorithmic cross-matching of banking and tax information to identify significant discrepancies.
22. Seeks to strengthen electronic integration of businesses by requiring specified persons to implement real-time transaction reporting systems.
23. Seeks to enhance tax compliance by rationalizing and increasing penalties for specified instances of non-compliance.
24. Seeks to promote tax compliance by withdrawing the exclusion from enhanced tax rates on capital gains from listed securities for non-ATL persons.
25. Seeks to enhance transparency and reduce taxpayer interface through the establishment of a National Faceless Centre for technology-driven audits, assessments and appeals.
26. Seeks to facilitate voluntary compliance by introducing an automated settlement mechanism for resolving identified tax discrepancies without separate penalty or default surcharge.
27. Seeks to improve the quality and consistency of tax litigation through the establishment of an Independent Case Scrutiny Committee.
28. Seeks to facilitate quicker and more efficient resolution of tax disputes by streamlining the Alternative Dispute Resolution framework.
29. Seeks to strengthen taxation and compliance relating to non-resident shipping operations through a revised regulatory framework.

30. Seeks to streamline the computation and determination of capital gains on listed securities by expanding and clarifying the role of NCCPL.
31. Seeks to facilitate automated processing and analysis by mandating electronic filing of machine-readable financial statements by companies.
32. Seeks to strengthen tax administration by empowering the Commissioner to require independent audits, inventory valuations and actuarial valuations in appropriate cases.
33. Seeks to improve audit effectiveness and compliance by enabling the engagement of specialists and strengthening disclosure mechanisms.
34. Seeks to strengthen tax compliance functions through the establishment of the Directorate General (Field Compliance), Inland Revenue.
35. Seeks to broaden the scope of special procedures for small traders and shopkeepers through amendments to section 99B.
36. Seeks to improve clarity, implementation and administration of the Income Tax Ordinance, 2001 through various technical, consequential and administrative amendments.

SALES TAX ACT, 1990

1. Through the proposed amendment, the concept of “*time of supply*” has been expanded. Previously, it was determined by the earlier of delivery of goods or receipt of payment; however, it has now been enhanced to also include the point when goods are ready for dispatch, thereby broadening the scope of timing of tax liability.
2. It is proposed that steel melters, steel re-rollers, and composite units will be entitled to a refund of excess sales tax paid on the basis of electricity consumption, provided that they comply with the condition of integration with the Board’s prescribed production monitoring and digital invoicing systems, ensuring proper tracking and verification of production and tax data.
3. Through the proposed amendment, the Board has been empowered to adjust the threshold limit under section 8B, either by reducing or enhancing it, based on a taxpayer’s compliance or non-compliance with prescribed digital integration systems such as production monitoring, digital invoicing, e-bilty, POS, or any other electronic system specified by the Board for real-time data integration.

IN THE THIRD SCHEDULE - SALES TAX ON RETAIL PRICE
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4. The supply of Vegetable and animal fats and oils, being cooking oil and vegetable ghee, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.
5. The supply of Sugar Confectionary, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.
6. The supply of Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.

7. The supply of Sauces, ketchup and other preparations, mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.
8. The supply of Fermented beverages, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.
9. The supply of Petroleum jelly, paraffin wax, microcrystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes, and similar products obtained by synthesis or by other processes, whether or not coloured, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.
10. The supply of Insecticides, rodenticides, fungicides, herbicides, anti- sprouting products and plant- growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles put up in forms or packings for retail sale. is proposed to be included in the Third Schedule and taxed at retail price.
11. The supply of Plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.
12. The supply of Tableware, kitchenware, plastic furniture, storage items, hygienic or toilet articles, and allied other household articles of plastics, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.
13. The supply of 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, jewelry boxes, powder boxes, cutlery cases and similar containers, of leather or of

composition leather, of sheeting of plastics, of textile materials, of vulcanized fiber or of paperboard, or wholly or mainly covered with such materials or with paper, put up for retail sale, is proposed to be included in the Third Schedule and taxed at retail price.

14. The supply of Footwear (all types) is proposed to be included in the Third Schedule and taxed at retail price.
15. The supply of Bathroom accessories and bath items, sanitaryware including taps, showerheads, fittings, mixers, valves and other washroom accessories and fixtures, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.
16. The supply of Crockery Items, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.
17. The supply of Car and automobile accessories, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.
18. The supply of Milk, fat filled milk, preparations suitable for infants, and other products of milk, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.
19. The supply of Preparations for use on the hair, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.
20. The supply of 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 deodorizers, whether or not perfumed or having disinfectant properties, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.

21. The supply of 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 fibers, whether or not creped, crinkled, embossed, perforated, surface-colored, surface decorated or printed, in rolls or sheets, put up for retail sale. is proposed to be included in the Third Schedule and taxed at retail price.
22. The supply of Jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter, other fruit and vegetable preparations, sold in retail packing is proposed to be included in the Third Schedule and taxed at retail price.
23. The supply of Household utensils, including Stainless steel, aluminum, melamine and other utensils and tableware is proposed to be included in the Third Schedule and taxed at retail price.
24. The supply of Ceramic Products including wash basins, commodes, tiles and allied ceramic sanitary products, put up for retail sale is proposed to be included in the Third Schedule and taxed at retail price.
25. It is proposed that 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.

IN THE SIXTH SCHEDULE - EXEMPTION FROM SALES TAX

26. The scope of exemption for Newsprint and books has been enhanced by including magazines.
27. The Exemption on import of CKD for electric vehicles is proposed to be extended until 30th June 2027.

28. The exemption is proposed for the Contraceptives and Female Sanitary Pads / Tampons.
29. Exemption from sales tax is proposed on the import of specified maritime vessels and floating structures, including tankers, dredgers, floating or submersible drilling and production platforms, other floating structures, and vessels used for the transportation of goods.
30. Exemption from sales tax is proposed for the import of bulletproof vehicles in specific circumstances.
31. The existing sales tax exemption on the supply of electricity to residential and commercial consumers, as well as industrial units located in the tribal areas, was available up to 30 June 2026. Through the proposed amendment, this exemption has not been extended beyond that date, implying that the supply of electricity in these areas may become subject to sales tax from 1 July 2026, unless a further extension is granted through separate legislation or notification.

IN THE EIGHT SCHEDULE - REDUCED RATE OF SALES TAX

32. The reduced sales tax rate of *one percent* applicable on locally manufactured or assembled electric vehicles is proposed to be extended up to 30th June 2027, thereby continuing the concessional tax regime to support the growth and promotion of the electric vehicle industry.
33. The existing reduced rate sales tax on the supply of locally manufactured Hybrid Electric Vehicles, was available up to 30 June 2026. Through the proposed amendment, this reduced rate facility has not been extended beyond that date, implying that such supply may become subject to sales tax at standard rate from 01st July 2026, unless a further extension is granted through separate legislation or notification.

34. The scope of the reduced *one percent* sales tax rate on electric vehicles has been expanded by including electric trucks within the same reduced-rate entry applicable to EV transport buses, thereby extending the concessional tax treatment to a broader range of electric commercial transport vehicles to support cleaner and more sustainable freight and passenger mobility.

IN THE ELEVENTH SCHEDULE - WITHHOLDING SALES TAX

35. Through the proposed amendment, the scope of withholding sales tax on purchases from unregistered persons has been expanded. Previously, this obligation was limited to companies only; however, it is now proposed that all registered persons, without distinction, will be required to withhold 5% sales tax on purchases made from unregistered suppliers.
36. It is proposed to introduce a withholding sales tax at a rate equal to four times the normal tax charge on conversion charges paid for toll manufacturing performed by an unregistered person.

IN THE TWELFTH SCHEDULE - VALUE ADDITION TAX ON IMPORT STAGE

37. Seeks to recover *three percent* value addition tax on ad valorem basis along with default surcharge in case of imported goods being supplied in same state, whether in same packing, repacked or in bulk.
38. The exemption of *three percent* Value Addition Tax at the import stage on electric vehicles and related CKD kits for small cars/SUVs with 50 kWh battery or below and LCVs with 150 kWh battery including such electric vehicles in CBU condition, which was previously available until 30 June 2026, has not been proposed for extension, meaning this concession is expected to lapse after the said date unless further renewed through subsequent legislation.

FEDERAL EXCISE ACT, 2005

1. Seeks to reduce the FED on foreign travel on club, business and first-class air tickets issued on or after the first day of July, 2026.
2. Seeks to reduce FED on import of ACETATE TOW from Rs.44,000/- to Rs.10,000/-
3. Seeks to remove FED on WHO standard compliant Sports/Electrolytes replenishing beverages.
4. Seeks to extend the exemption on import of CKD kits for electro vehicles for one year.
5. Seeks to increase the imposition of FED on e-liquid for electronic cigarettes.
6. Seeks to impose FED on Naphtha, Solvent Oil and Turpentine oil under sales tax mode with right off adjustment of input tax.
7. Seeks to impose FEB on luxury electronic and Luxury Vehicles.
8. Seeks to impose FED on base Oil and base Lubricant Oil.
9. Seeks to define advance receipt invoice, algorithm settlement mechanism and electronic invoice and production monitoring system.
10. Seeks to introduce faceless audit and assessment proceedings.
11. Seeks to maximize the penalties for destruction of goods without approval of the Commissioner.
12. Seeks to establish independent Cases Scrutiny Committee in order to reduce unnecessary litigations before the competent judicial forums.
13. Seeks to restructure the powers of seizing and confiscation of counterfeited excisable goods.
14. Seeks to restructure the mechanism of monitoring and tracking by electronic means of excisable goods.
15. Seeks to rationalize the audit proceedings by appointing auditors or accountants.

CUSTOMS ACT, 1969

1. Seeks to rationalize the different custom tariff.
2. Seeks to reduce the existing Customs Duty on different raw materials used by the industrial sectors.
3. Seeks to reduce the Additional Customs Duty from 6% to 4% and from 4% to 2% on various products.
4. Seeks to eliminate additional Customs Duty from 2% to 0% on different items.
5. Seeks to reduce and rationalize regulatory duty on different items.
6. Seeks to delete different entries from Fifth Schedule.
7. Seeks to exempt Customs Duty on critical cancer related Active Pharmaceutical Ingredients (APIs).
8. Seeks to reduce Customs Duty from 20% to 10% on constructions related vehicles used by construction related sectors.
9. Seeks to exempt Customs Duty on Defense Imports.
10. Seeks to exempt Customs Duty, Additional Customs Duty and Regulatory Duty on import of Agriculture Machinery.
11. Seeks to exempt Customs Duty on Import of Bullet Proof Vehicles by Federal and Provincial Government.
12. Seeks to introduce system and mechanism of scanning of cargo.
13. Seeks to authorize Board to rationalize the penalties and procedure of appeal mechanism.
14. Seeks to maximize the penalty for failure to entertain delay detention certificate.

15. Seeks to add penal provisions for unauthorize removal and misappropriation of goods from Customs State Warehouses.
16. Seeks to expand the word "*removal*" in order to curb the offenses related thereto.
17. Seeks to introduce faceless adjudication proceedings to avoid face-to-face interactions.
18. Seeks to empower special Judge to freeze assets of the accuse during the trial.
19. Seeks to establish independent case scrutiny committee for examining and deciding the matters relating to filing appeals before competent judicial forums in order to reduce burden of unnecessary litigation.
20. Seeks to extend the scope of service of summons in line with the Civil Procedure Code, 1908.

INCOME TAX ORDINANCE 2001

COMPARISON & COMMENTS

<u>SECTION</u>	<u>PRESENT POSITION</u>	<u>PROPOSED AMENDMENT THROUGH FINANCE BILL 2026</u>
2(1)(A)(1AA)	<p>"Algorithmic Settlement Mechanism"</p> <p>Non-Existent</p>	<p>The new clause proposed to be inserted defining "Algorithmic Settlement Mechanism" as the mechanism provided under proposed section 134B. Comprehensive definitional update providing the statutory foundation for the digital tax administration framework. A new digital system will allow FBR to offer settlement options for tax disputes based on compliance history and discrepancy nature.</p> <p>The proposed definition reads as follows:</p> <p><i>"(1AA) "algorithmic settlement mechanism" means algorithmic settlement mechanism provided under section 134B of this Ordinance;"</i></p>

2(5)	<p>“assessment” includes [provisional assessment,] re-assessment and amended assessment and the cognate expressions shall be construed accordingly;]</p>	<p>Definition proposed to be expanded to include "Faceless Assessment".</p> <p><i>“assessment” includes [provisional assessment,] re-assessment, amended assessment, and faceless Assessment and the cognate expressions shall be construed accordingly;]</i></p>
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2(6)(A)	<p>“Authorized Shipping Agent.”</p> <p>Non-Existent</p>	<p>New definition proposed to be inserted specifying responsibilities and liabilities of an authorized shipping agent acting on behalf of a non-resident ship owner or charterer. The 'authorised shipping agent' definition is particularly significant, creating joint and several tax liability for a locally-present agent in non-resident shipping transactions.</p> <p><i>“(6A) “authorised shipping agent” means a person in Pakistan who is authorised, expressly or impliedly, by a nonresident ship owner, charterer or operator to act on its behalf in respect of a vessel, and who in relation to such vessel or voyage –</i></p> <p style="padding-left: 40px;"><i>(a) is responsible for the receipt, collection, control or accounting of total freight and any related amounts, and undertakes or is responsible for documentation, manifest filing, or reporting of cargo or total freight, including having, directly or indirectly, the control, custody or disposal of any freight or related receipts attributable to such vessel or voyage; and</i></p> <p style="padding-left: 40px;"><i>(b) furnishes the return under section 143 of this Ordinance, in respect of such vessel or voyage and such person shall, for the purposes of this Ordinance –</i></p> <p style="padding-left: 80px;"><i>(i) be treated as the representative of the nonresident under section 172;</i></p> <p style="padding-left: 80px;"><i>(ii) be jointly and severally liable for payment of tax and all obligations, proceedings, assessments and recovery in respect of such vessel or voyage; and</i></p> <p style="padding-left: 80px;"><i>(iii) be treated as such, and the provisions of sub-section (3) of section 172 shall apply accordingly;”</i></p>
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2 (19DA)	<p>“Electronically Readable Format”</p> <p>Non-Existent</p>	<p>New definition proposed to be inserted covering CSV, XLSX, XML, XBRL, JSON and similar machine-readable formats while excluding PDF and scanned documents.</p> <p>The proposed definition reads as follows:</p> <p>“(19DA) “electronically readable format” means any digital format in which data is structured so that it can be automatically read, extracted, validated and processed by computer systems without human intervention, including spreadsheet formats (such as CSV or XLSX), XML, XBRL, JSON, and other structured or semi-structured data formats but excluding formats primarily designed for human readability, such as PDF, scanned images or photographs;”</p>
2 (22A)	<p>Definition existed in the Ordinance.</p> <p>“fast moving consumer goods” means consumer goods which are supplied in retail marketing as per daily demand of a consumer⁴ [excluding durable goods].</p>	<p>Clause proposed to be omitted.</p>
2(30A)	<p>Integration required through approved fiscal electronic device and software.</p> <p>“integrated enterprise” means a person integrated with the <u>Board through approved fiscal electronic device and software</u>, and who fulfills obligations and requirements for integration as may be prescribed;</p>	<p>Expression replaced with integration through Board's computerized system via a licensed integrator.</p> <p><i>in clause (30A), for the expression “Board through approved fiscal electronic device and software”, the expression “<u>Board’s computerized system through a licensed integrator</u>” shall be substituted;</i></p>
2(30D)	<p>“Licensed integrator”</p> <p>Non-Existent</p>	<p>New definition inserted with reference to Sales Tax Act, 1990. After clause (30C), the following new clause shall be inserted, namely:</p> <p>“(30D) “Licensed integrator” shall have the same meaning as defined under clause (15A) of section 2 of the Sales Tax Act, 1990 (VII of 1990);</p>
2(35)(1A)	<p>National faceless center</p> <p>Non-Existent</p>	<p>New definition inserted.</p> <p>(35)(1A) “National faceless center” means National faceless center as defined in section 227D of this Ordinance;”</p>

2(42AA)	<p>“PRAL”</p> <p>Non-Existent</p>	<p>New definition proposed to be inserted recognizing Pakistan Revenue Automation (Pvt.) Limited (PRAL)</p> <p>The proposed definition reads as follows:</p> <p><i>(42AA) “PRAL” means Pakistan Revenue Automation (Pvt) Limited, a State-Owned Enterprise which has been assigned functions related to software development and maintenance of the Board’s IT infrastructure;”;</i> and</p>
2(60)	<p>Definition existed in the Ordinance.</p> <p>“Special Purpose Vehicle” means a Special Purpose Vehicle as defined in the Asset Backed Securitization Rules, 1999;</p>	<p>Clause proposed to be omitted.</p>
4AB	<p>Surcharge at 9% of income tax where taxable income exceeded Rs. 10 million.</p> <p>(4AB) Subject to this Ordinance, a surcharge shall be payable by every individual and association of persons at the rate of ten percent of the income tax imposed under Division I of Part I of the First Schedule where the taxable income exceeds rupees ten million:</p> <p>Provided that in case of an individual deriving income chargeable under the head “Salary”, a surcharge shall be payable at the rate of nine percent of the income tax imposed under Division I of Part I of the First Schedule where the taxable income exceeds rupees ten million in a tax year.</p>	<p>Surcharge proposed to be abolished by substituting the proviso with "no surcharge shall be payable" for salaried individual.</p> <p><i>(4AB) Subject to this Ordinance, a surcharge shall be payable by every individual and association of persons at the rate of ten percent of the income tax imposed under Division I of Part I of the First Schedule where the taxable income exceeds rupees ten million:</i></p> <p><i>Provided that in case of an individual deriving income chargeable under the head “Salary”, <u>no surcharge shall be payable.</u></i></p>
6A	<p>Tax on digital transactions generally treated under existing provisions.</p> <p>Non-Existence of Sub-Section 3 of Section 6(A)</p>	<p>New Sub-Section (3) proposed to be inserted, whereas tax under section 6A to become adjustable where annual turnover of a person in a tax year exceeds Rs. 200 million</p>
7E	<p>Tax on deemed income from capital assets was chargeable under section 7E.</p>	<p>Section 7E is proposed to be omitted in its entirety in line with the recent order of the Federal Constitutional Court of Pakistan (FCCP) declaring 7E as ultra vires. However, no amendment has been proposed for a refund mechanism.</p>

7G	<p>Non-Existent</p>	<p>New tax proposed on payouts, maturity proceeds, surrender value and benefits received from life insurance policies and family takaful arrangements, subject to specified exemptions. Key design features:</p> <ol style="list-style-type: none"> 1. Net basis taxation (gross minus premiums paid) is equitable, only the investment gain is taxed. 2. Seven-Year threshold: Policies held for 7+ years are completely exempt, creates strong incentive for genuine long-term insurance/protection products. 3. Death/Disability exemptions: Protect genuine protection products from adverse tax treatment. <p><u>Insurance industry impact:</u> Significant compliance burden, insurers must now track policyholder premium history, calculate net gain at payout, and deduct tax. Policy administration systems will require major upgrades.</p> <p>The proposed section reads as follows:</p> <p><i>“7G. Tax on certain payments by life insurance business.</i></p> <p><i>(1) For tax year, 2026 and onwards, a tax shall be imposed, at the rate specified in Division IC of Part III of the First Schedule on every individual who receives any payout, benefit, surrender value, maturity proceeds or similar payment (hereinafter referred to as payout) from a life insurance business on account of insurance policy, family takaful certificate, plan or any similar arrangement.</i></p> <p><i>(2) For the purposes of sub-section (1), the amount liable to tax shall be the gross amount of payout reduced by aggregate amount of premiums or contributions paid by the policy holder or participant.”;</i></p> <p><i>(3) The provisions of sub-section (1) shall not apply where the payout or benefit is made –</i></p> <p><i>(a) on account of death of the insured or participant;</i></p> <p><i>(b) on account of disability of the insured or participant; or</i></p>
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		<p>(c) after completion of seven years from the date of issuance of the policy, certificate or plan.</p> <p>(4) Tax deducted under this section shall be treated as final tax on the income arising from such payout or benefit.”;</p>
8	Referred to taxes imposed under sections including section 7E.	References to section 7E replaced with section 7G.
21(r)	Existing disallowance provision relating to integration requirements.	Up to 5% of expenditure proposed to be disallowed where a person fails to install electronic resources or comply with integration requirements. The proposed 5% expenditure disallowance works in tandem with the 10% tax credit for digital integration (section 64D): integrated enterprises earn a 10% credit on investment; non-integrated enterprises lose 5% of their expense deductions. Combined, this creates a ~15% financial incentive gap between integrated and non-integrated businesses.
53A	No such provision existed.	Federal Government is proposed to be empowered to reduce the rate of any of the withholding taxes (being minimum taxes) up to 1% based on economic viability.

64D	<p>Tax credit available for Point-of-Sale Machines.</p>	<p>Entire section substituted with Tax Credit for Integration, allowing credit equal to 10% of investment in electronic integration resources. Qualifying investments include: production monitoring systems, e-invoicing hardware/software, video analytics, RFID systems – any technology used for FBR integration. The proposed section reads as follows:</p> <p><i>“64D. Tax credit for integration. – (1) Any person required, under this Ordinance, the Sales Tax Act, 1990 or the Federal Excise Act, 2005, to integrate with the computerized system of the Board for realtime production monitoring, or for the recording or reporting of sales or receipts, shall be entitled to a tax credit in respect of expenditure incurred exclusively on the purchase, acquisition, installation or implementation of such equipment, hardware, software or other electronic components as are directly and exclusively utilized for the purposes of such integration:</i></p> <p><i>Provided that the Board may prescribe limitations, conditions, and restrictions for availing the tax credit under this section.</i></p> <p><i>(2) The amount of tax credit allowed under sub-section (1) for a tax year in which electronic resource is installed, integrated and configured with the Board's computerized system shall be ten percent of the amount actually invested in the electronic resource.</i></p> <p><i>(3) Such tax credit shall not be allowable against operation and maintenance expenses related to such electronic resource.</i></p> <p><i>(4) This tax credit shall be available only against normal tax payable under Division I or Division II of Part I of the First Schedule.”;</i></p>
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76(8A)	<p>No specific provision for inherited immovable property cost.</p> <p>Non-Existent</p>	<p>Cost of inherited immovable property proposed to be the fair market value on date of death of original owner. The FMV-at-death basis is fair and eliminates a major source of dispute between taxpayers and FBR on inherited property disposals.</p> <p><i>“(8A) Where an immovable property is acquired by an individual through inheritance, the cost of such property in the hands of that individual shall be the fair market value of the property as provided under sub-section (5) of section 68 of this Ordinance on the day of the death of the original owner.”</i></p>
79	<p>Non-recognition rules applied to inheritance and transmission.</p> <p>No Clarification regarding the family settlement existed</p>	<p>Further clarification has been proposed in clause b of sub-section (1) of section 79 that family settlement after death also qualifies as transmission of property. This prevents FBR from treating such settlements as commercial disposals triggering capital gains. Important for estate planning and succession arrangements in Pakistan's predominantly family-owned business environment. The proposed explanation reads as follows:</p> <p><i>“Explanation: For the removal of doubt it is clarified that transmission of an asset, in the nature of immovable property, to a beneficiary on the death of a person shall also include the transmission of assets by reason of family settlement amongst the family members consequent upon death of the person.”</i></p>
80	<p>LLP not specifically included in definition of person.</p> <p>(a) “association of persons” includes a firm, a Hindu undivided family, any artificial juridical person and anybody of persons formed under a foreign law, but does not include a company;</p>	<p>Limited Liability Partnership (LLP) proposed to be added in definition. LLPs are now formally recognized as 'persons' for income tax purposes. This is overdue, LLPs were created under company law but their tax status was implicitly covered; the explicit mention removes any definitional ambiguity.</p> <p><i>(a) “association of persons, limited liability partnership” includes a firm, a Hindu undivided family, any artificial juridical person and anybody of persons formed under a foreign law, but does not include a company;</i></p>

92	<p>In sub section (1), the explanation was given as follows:</p> <p>Explanation.- For removal of doubt it is clarified that if the income of association of persons is exempt and no tax is payable under the Ordinance due to this exemption, the share received in the capacity as member out of the income of the association shall remain exempt</p>	Explanation is proposed to be omitted.
92(4A)	Non-Existent	<p>It is proposed that where an LLP's income is itself exempt (e.g., through a specific tax exemption), members cannot also claim the distributed income as exempt. Income must be taxed at one level – if not at LLP level, then at member level. New proposed sub-section (4A) is as follows:</p> <p><i>“(4A) Where the income of a limited liability partnership is exempt from tax, the amount received by a member of a limited liability partnership in the capacity as a member of such partnership shall be taxable in the hands of the member of such partnership.”;</i></p>
99B	<p>Special procedure for small traders and shopkeepers.</p> <p>[99B. Special procedure for small traders and shopkeepers:- Notwithstanding anything contained in this Ordinance the 2 [Board with the approval of the Minister-in-charge] may, by notification in the official Gazette, prescribe special procedure for scope and payment of tax, filing of return and assessment in respect of such small traders and shopkeepers, in such cities or territories, as may be specified therein.]</p>	<p>In Section 99B, the scope of the special procedure is proposed to be expanded by substituting the phrase "and payment of tax, filing of return" with ", rate and payment of tax including fixed tax, filing of return, audit". This proposed amendment broadens FBR's powers to design a comprehensive simplified regime for small traders, explicitly including: (i) the ability to set a fixed/lump-sum tax rate; and (ii) audit procedures. This enables a truly simplified flat-rate tax regime for small traders.</p> <p><i>[99B. Special procedure for small traders and shopkeepers:- Notwithstanding anything contained in this Ordinance the 2 [Board with the approval of the Minister-in-charge] may, by notification in the official Gazette, prescribe special procedure for scope rate and payment of tax including fixed tax, filing of return, audit and assessment in respect of such small traders and shopkeepers, in such cities or territories, as may be specified therein.]</i></p>

100B(2)	<p>The Existent Section reads as follows:</p> <p>(2) The provisions of sub-section (1) shall not apply to the following persons or class of persons, namely:-</p> <p>(a) a mutual fund;</p> <p>(b) banking company, a non-banking finance company and an insurance company subject to tax under the Fourth Schedule;</p> <p>(c) a modaraba;</p> <p>(d) a company, in respect of debt securities only; and</p> <p>(e) any other person or class of persons notified by the Board.</p>	<p><i>Certain clauses omitted and new sub-section inserted regarding computation of capital gains for banking companies, insurance companies and mutual funds.</i></p> <p><i>(2) The provisions of sub-section (1) shall not apply to the following persons or class of persons, namely:-</i></p> <p><i>(a) a mutual fund;</i></p> <p><i>(b) banking company and an insurance company subject to tax under the Fourth Schedule; and</i></p> <p><i>(c) omitted</i></p> <p><i>(d) omitted</i></p> <p><i>(e) any other person or class of persons notified by the Board.</i></p> <p><i>New Sub-Section (3) is proposed to be added, which read as follows:</i></p> <p><i>“(3) NCCPL, in case of banking company, insurance company and mutual funds shall compute and determine the capital gain as per the mechanism prescribed under section 37A, however, these entities shall continue to deposit tax on amount of capital gain as per the applicable provisions of this Ordinance.”;</i></p>
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<p style="text-align: center;">114(2A)</p>	<p>The Existing provision reads as follows:</p> <p>[(2A) A return of income filed electronically on the web or any magnetic media or any other computer readable media as may be specified by the Board shall also be deemed to be a return for the purpose of sub-section (1); and the Board may, by notification in the official Gazette, make rules for determining eligibility of the data of such returns and e-intermediaries who will digitise the data of such returns and transmit the same electronically to the Income Tax Department under their digital signatures¹⁰[and other matters relating to electronic filing of returns, statements or documents, etc.</p>	<p>Machine-readable financial statements applicable to all companies from TY2026, is a transformative data infrastructure measure. FBR will be able to algorithmically process, cross-match and analyze financial data at scale, enabling intelligent risk-based audit selection. The sub-section (2A) has been proposed to be substituted as follows:</p> <p><i>(2A) A return of income shall be filed electronically on IRIS as may be prescribed by the Board for the purpose of subsection (1) and sub-section (1A) of this section and the Board may, by notification in the official Gazette, make rules for such filing and determine the process of verification, digital signatures and other matters relating to electronic filing of returns, statements or documents, etc.:</i></p> <p><i>Provided that in case of companies for tax year, 2026 and onwards the financial statements accompanying the return shall only be filed in electronically readable file format.”;</i></p>
<p style="text-align: center;">114(6)</p>	<p>The Existing provision reads as follows:</p> <p>[(6) Subject to sub-section (6A), any person who, having furnished a return, discovers any omission or wrong statement therein, may file revised return subject to the following conditions, namely:-</p>	<p>The proposed amendment includes settlements made through the algorithmic settlement mechanism within the ambit of subsection (6), making them subject to the same treatment as other settlements under the law.</p> <p><i>(6) Subject to sub-section (6A), any person who, having furnished a return, discovers any omission or wrong statement therein, or avails a settlement offered by algorithmic settlement mechanism, may file revised return subject to the following conditions, namely:-</i></p>

114(6B)	<p>Non-Existent</p>	<p>This new proposed sub-section introduces an algorithmic settlement mechanism allowing taxpayers to file a revised return without prior approval of the Commissioner. The taxpayer is required to pay only the tax determined by the system, with exemption from penalty and default surcharge, and the return will be treated as a revised return subject to prescribed documentation.</p> <p>The proposed sub-section reads as follows:</p> <p><i>Notwithstanding anything contained in sub-sections (6) and (6A) of this section, if a taxpayer avails a settlement offered by the algorithmic settlement mechanism, he may file a revised return, and the -</i></p> <p><i>(a) approval of Commissioner shall not be required to file the revised return;</i></p> <p><i>(b) taxpayer shall pay the amount of tax determined by the mechanism and no separate penalty or default surcharge shall be payable; and</i></p> <p><i>(c) return so filed shall be accompanied by such documents as required under sub-section (6) and shall be treated as revised return under this section.”;</i></p>
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122E	<p>Faceless Audit and Assessment</p> <p>Non-Existent</p>	<p>The proposed section 122E introduces faceless audit and assessment to be conducted electronically for specified cases as notified by FBR. Hearings will be held through e-hearing, and the officer’s identity will remain confidential. The aim is to ensure a transparent and automated tax assessment system. Due process concerns: (1) Confidentiality of officer identity makes it procedurally difficult to challenge erroneous assessments based on officer conduct; (2) E-hearing quality must match in-person hearings for complex cases; (3) Algorithmic case selection must be transparent enough to challenge on judicial review grounds. The physical verification provision (sub-section 4 of section 209B) acknowledges that not all compliance issues can be resolved remotely. The proposed section reads as follows:</p> <p><i>“122E. Faceless audit and assessment. –</i></p> <p><i>(1) Notwithstanding anything to the contrary contained in any other provision of this Ordinance, 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 in sub-section (2), may be made in a faceless manner as may be prescribed by the Board.</i></p> <p><i>(2) The faceless assessment under sub-section (1) shall be made in respect of such persons or class of persons, or incomes or class of incomes, or cases or class of cases, as may be specified by the Board.</i></p> <p><i>(3)The provisions of section 177 shall apply to the audit conducted in faceless manner under this section:</i></p> <p><i>Provided that where opportunity of being heard is to be provided to the taxpayer during the course of this audit or a statement under oath is required to be obtained from a taxpayer or any other person under section 176 of this Ordinance, the same shall be done through E-hearing under section 227E of this Ordinance:</i></p>
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		<i>Provided further that the identity of the officer, including facial and voice identity, conducting such E-hearing shall be kept confidential.”;</i>
129A	Faceless Appeals Non-Existent	<p>The proposed section 129A introduces faceless appeals, allowing appeals under section 127 to be processed through a National Faceless Centre as prescribed by FBR. This aims to ensure a centralized, digital, and transparent appellate mechanism. The proposed section read as follows:</p> <p><i>“129A. Faceless appeals. (1) Notwithstanding anything contained in this Ordinance, any appeal filed under section 127 may be processed through the National faceless center as may be prescribed by the Board.</i></p> <p><i>(2) The provisions of sections 127, 128, and 129 of this Ordinance, shall apply to faceless appeals accordingly.”</i></p>

133A	<p>Non-Existent</p>	<p>This newly proposed section addresses a persistent grievance among taxpayers: the advancement of departmental cases of insufficient evidentiary weight into appeal or litigation, thereby dissipating both private and court resources. The introduction of an independent review layer ought, in principle, to suppress the pursuit of unmeritorious departmental appeals. Nevertheless, the practical effectiveness of such a mechanism remains contingent upon the committee's genuine operational independence and its institutional capacity to serve as a credible instrument of litigation quality assurance.</p> <p><i>“133A. Independent case scrutiny committee</i></p> <p><i>(1) A reference under section 133 of this Ordinance before the High Court, or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan shall only be filed by the Commissioner Inland Revenue after the same has been approved by an independent case scrutiny committee as constituted by the Board.</i></p> <p><i>(2) The Board may constitute one or more such committees and assign them cases or classes of cases decided by the Appellate Tribunal Inland Revenue or the High Court, as the case may be.</i></p> <p><i>(3) The Committee shall comprise of the following Members as nominated by the Board –</i></p> <p><i>(a) a retired judge of the Supreme Court of Pakistan, the Federal Constitutional Court, or any of the High Courts of Pakistan who shall also act as Chairman of the Committee;</i></p> <p><i>(b) an Advocate having not less than fifteen years of experience in tax and commercial litigation before the High Court or Supreme Court of Pakistan, to be nominated from a panel notified by the Board from time to time; and</i></p> <p><i>(c) a senior serving or retired officer of the FBR (BS 20 or above).</i></p> <p><i>(4) The powers, functions, and procedure of the committee along with remuneration of its Members shall be governed as may be prescribed by the Board.</i></p>
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		<p>(5) <i>Recommendations of the committee shall be binding upon the Commissioner Inland Revenue having jurisdiction over the case.</i></p> <p>(6) <i>Notwithstanding anything contained in any other law for the time being in force, no suit, prosecution, or other legal proceedings shall lie against the Members of the committee and the Commissioner Inland Revenue having jurisdiction over the case, in relation to the decisions made under this section.</i></p> <p>(7) <i>The Committee constituted under this subsection shall exercise its powers and functions with effect from the date of its constitution as notified by the Board."</i></p>
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134B	<p>Algorithmic Settlement Mechanism (ASM)</p> <p>Non-Existent</p>	<p>The newly proposed section articulates a computerized dispute-resolution mechanism whereby taxpayers will be offered an option to go for settlement of notices at any stage before assessment by revising their return of income. The scheme appears promising in reducing litigation and easing tension between the taxpayers and the authorities.</p> <p>However, there are concerns relating to: (1) algorithmic transparency, taxpayers must be able to understand and challenge offer calculations; (2) 10-day window is very short for complex multi-year cases; (3) the ITO-STA integration for algorithmic cross-matching must be operationally robust before this can be meaningfully deployed at scale.</p> <p><i>“134B. Algorithmic Settlement Mechanism</i></p> <p><i>“(1) Notwithstanding anything contained in this Ordinance, the Board may establish digitally operated algorithmic settlement mechanism (hereinafter referred to as "the mechanism") for settlement of tax proceedings at any stage before any assessment or amendment of assessment order under sections 121, 122 or 122E of this Ordinance through revision of return under sub-section (6) of section 114 in certain cases.</i></p> <p><i>(2) In case, the mechanism calculates and presents to the taxpayer a settlement offer for voluntary revision of return as per the criteria provided under sub-section (3), the taxpayer may avail the offer as provided in sub-section (4).</i></p> <p><i>(3) The system generated settlement offer shall be calculated on the basis including but not limited to (a) the stage of proceedings at which settlement is offered; (b) the taxpayer's compliance history, as maintained in FBR's data; (c) the nature and character of the discrepancy, including whether it involves a valuation or legal interpretation dispute, unexplained income or assets, or concealment; and (d) any other basis the Board may consider relevant to ensure revenue adequacy and equitable treatment of taxpayers.</i></p>
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		<p><i>(4) A taxpayer who opts to avail this mechanism shall within ten days from the date of settlement offer to</i></p> <p><i>(a) accept the settlement offer on IRIS;</i></p> <p><i>(b) deposit the settlement offer amount along with revised return; and</i></p> <p><i>(c) revise the relevant return of income to incorporate the settled amount.</i></p> <p><i>(5) deposit the settlement offer amount along with revised return; and revise the relevant return of income to incorporate the settled amount. 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).</i></p> <p><i>(6) Revision of return consequent upon acceptance of offer under sub-section (4) of this section shall not preclude proceedings in respect of any other issue or discrepancy not covered by the settlement offer, nor shall it affect proceedings for any other tax year."</i></p>
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143	<p>Non-resident ship owner or charterer</p> <p>(1) Before the departure of a ship owned or chartered by a non-resident person from any port in Pakistan, the master of the ship shall furnish to the Commissioner a return showing the gross amount specified in sub-section (1) of section 7 in respect of the ship.</p> <p>(2) Where the master of a ship has furnished a return under sub-section (1), the Commissioner shall [, after calling for such particulars, accounts or documents as he may require,] determine the amount of tax due under section 7 in respect of the ship and, as soon as possible, notify the master, in writing, of the amount payable.</p> <p>(3) The master of a ship shall be liable for the tax notified under subsection (2) and the provisions of this Ordinance shall apply to such tax as if it were tax due under an assessment order.</p> <p>(4) Where the Commissioner is satisfied that the master of a ship or nonresident owner or charterer of the ship is unable to furnish the return required under sub-section (1) before the departure of the ship from a port in Pakistan, the Commissioner may allow the return to be furnished within thirty days of departure of the ship provided the non-resident owner or charterer has made satisfactory arrangements for the payment of the tax due under section 7 in respect of the ship.</p> <p>(5) The Collector of Customs or other authorised officer shall not grant a port clearance for a ship owned or chartered by a non-resident person until the Collector or officer is satisfied that any tax due under section 7 in respect of the ship has been paid or that arrangements for its</p>	<p>Through this proposed amendment, the authorized shipping agent is also made responsible for the duties which were previously the responsibility of the master of the ship. Authorised Shipping Agent is proposed to be included throughout section.</p> <p>In sub-section (1), after the word “ship”, occurring for the second time, the expression “, or the authorised shipping agent as defined in clause (b) (6A) of section 2,” is proposed to be inserted as follows:</p> <p><i>“(1) Before the departure of a ship owned or chartered by a non-resident person from any port in Pakistan, the master of the ship or the authorised shipping agent as defined in clause (b) (6A) of section 2 shall furnish to the Commissioner a return showing the gross amount specified in sub-section (1) of section 7 in respect of the ship.”</i></p> <p>The following new sub-sections (1A) and (1B) are proposed to be inserted after sub section (1) of section 143, namely:</p> <p><i>“(1A) Notwithstanding anything contained in this Ordinance, only one return shall be furnished for each vessel or voyage, and such return shall cover the total freight and all related amounts attributable to the ship.</i></p> <p><i>(1B) The master of ship or the authorised shipping agent responsible for manifest filing and freight handling in respect of a vessel shall furnish the return under this section, and no other person shall furnish such return for that vessel or voyage.”</i></p> <p>In sub-section (2) after the word “ship”, occurring for the first time, the expression “or authorised shipping agent” is proposed to be inserted; and after the word “master”, the words “or authorised shipping agent” is proposed to be inserted.</p> <p><i>“(2) Where the master of a ship or authorised shipping agent has furnished a return under sub-section (1), the Commissioner shall, after calling for such particulars, accounts or documents as he may require, determine the amount of tax due under section 7 in respect of the ship and, as soon</i></p>
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<p>payment have been made to the satisfaction of the Commissioner.</p> <p>(6) This section shall not relieve the non-resident owner or charterer of the ship from liability to pay any tax due under this section that is not paid by the master of the ship.</p>	<p><i>as possible, notify the master or authorised shipping agent, in writing, of the amount payable."</i></p> <p><i>In sub-section (3) for the words "shall be", the words "or authorized shipping agent shall be jointly and severally" is proposed to be substituted.</i></p> <p><i>"(3) The master of a ship or authorized shipping agent shall be jointly and severally liable for the tax notified under subsection (2) and the provisions of this Ordinance shall apply to such tax as if it were tax due under an assessment order."</i></p> <p><i>In sub-section (4) after the word "ship" occurring for the second time, the words "or authorised shipping agent" is proposed to be inserted and after the word "charterer", occurring for the second time, the expression "or authorised shipping agent" is proposed to be inserted.</i></p> <p><i>"(4) Where the Commissioner is satisfied that the master of a ship or non-resident owner or charterer of the ship or authorised shipping agent is unable to furnish the return required under sub-section (1) before the departure of the ship from a port in Pakistan, the Commissioner may allow the return to be furnished within thirty days of departure of the ship provided the non-resident owner or charterer or authorised shipping agent has made satisfactory arrangements for the payment of the tax due under section 7 in respect of the ship."</i></p> <p><i>In sub-section (5) after the word "Commissioner", occurring at the end, the words "and electronic confirmation of filing of return and payment of tax under this section has been received in the prescribed manner" is proposed to be inserted.</i></p> <p><i>"(5) The Collector of Customs or other authorised officer shall not grant a port clearance for a ship owned or chartered by a non-resident person until the Collector or officer is satisfied that any tax due under section 7 in respect of the ship has been paid or that arrangements for its payment have been made to the satisfaction of the Commissioner and electronic confirmation of filing of return and</i></p>
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		<p><i>payment of tax under this section has been received in the prescribed manner."</i></p> <p>In sub-section (6) after the word "ship", occurring for the second time, the words "or authorised shipping agent" is proposed to be inserted.</p> <p><i>"(6) This section shall not relieve the non-resident owner or charterer of the ship from liability to pay any tax due under this section that is not paid by the master of the ship or authorised shipping agent."</i></p>
147(6C)	<p>Advance Tax paid by the taxpayer</p> <p>(6C) Notwithstanding anything contained in this Ordinance, the persons specified in sub-sections (1), (3), (3A), (3B) and (3C) of section 154 shall, at the time of realization of foreign exchange proceeds, or realization of the proceeds on account of sale of goods, or export of goods, or at the time of making payment to an indirect exporter, or clearing of goods exported, respectively, deduct or collect, as the case may be, advance income tax under this section at the rate of one percent of such foreign exchange proceeds, or export proceeds, or exports, or payment, in addition to tax collectable or deductible under section 154 of this Ordinance.</p>	<p>Through this amendment sub section (6C) of Section 147 has been proposed to be omitted.</p> <p>This sub-section, introduced through Finance Act, 2024, pertains to adjustable advance tax on export proceeds in addition to withholding under section 154 of the Income Tax Ordinance, 2001.</p>

151B	<p>151B. Certain payments by life insurance companies and takaful operators.</p> <p>Non-Existent</p>	<p>A new section 151B is proposed to be added whereby life insurance companies, family takaful operators and window takaful operators shall be required to deduct withholding tax on payouts, benefits, surrender values, maturity proceeds and similar payments made to individuals. The withholding tax under this section is in relation to income made chargeable to tax under the newly proposed section 7G of the Income Tax Ordinance, 2001.</p> <p><i>“(1) Every life insurance company, including a family takaful operator or a window takaful operator, making any payout, benefit, surrender value, maturity proceeds or similar payment to an individual under a life insurance policy, family takaful certificate, plan or arrangement shall, at the time of making such payment, deduct tax at the rate specified in Division IC of Part III of the First Schedule.</i></p> <p><i>(2) For the purposes of sub-section (1), the amount liable to tax deduction shall be the gross amount of payout or benefit reduced by the aggregate amount of premiums or contributions paid by the policyholder or participant.</i></p> <p><i>(3) The provisions of sub-section (1) shall not apply where the payout or benefit –</i></p> <p><i>(a) is made on account of death of the insured or participant; (b) is made on account of disability of the insured or participant; or (c) is made after completion of seven years from the date of issuance of the policy, certificate or plan.</i></p> <p><i>(4) Tax deducted under this section shall be treated as final. tax on the income arising from such payout or benefit.”;</i></p>
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152(1DA)	<p>152. Payments to non-residents. - (1DA)</p> <p>“Every banking company maintaining a Foreign Currency Value Account (FCVA) or a non-resident Pakistani Rupee Value Account (NRVA) of a non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) shall deduct tax from capital gain arising on the disposal of debt instruments and government securities and certificates (including Shariah compliant variant) invested through aforesaid accounts at the rate specified in Division II of Part III of the First Schedule.”</p>	<p>Sub-section (1DA) is proposed to be substituted which replaces the requirement of non-resident person holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerised National ID Card (CNIC) to having certain specified types of foreign currency bank accounts.</p> <p><i>“(1DA) Every banking company maintaining a Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA), or Non-Resident Rupee Business Value Account (NRBVA) shall deduct tax from capital gain arising on the disposal of debt instruments and Government securities and certificates (including Shariah compliant variant) invested through aforesaid accounts at the rate specified in Division II of Part III of the First Schedule.”;</i></p>
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154B	<p>154B. Withholding tax on revenues Received from social media platforms.</p> <p>Non-Existent</p>	<p>It is proposed to insert a new Section 154B whereby every banking and non-banking financial institution shall be required to deduct withholding tax on amounts credited or received in the account of a person representing revenues derived from social media platforms. The tax withheld in case of resident persons appearing on ATL is proposed to be minimum tax whereas tax withheld from non-resident persons not having permanent establishment in Pakistan is proposed to be final tax.</p> <p><i>“(1) Every banking and non-banking financial institution shall, at the time of credit or receipt of any amount in an account of a person, deduct tax at the rate specified in Division IIIAB of Part III of the First Schedule, where such amount represents revenues received from social media platforms.</i></p> <p><i>(2) For the purposes of this section –</i></p> <p><i>(a) “digital content creator” or “social media influencer” means any individual or entity deriving income from creation, publication, or monetization of content on digital platforms including but not limited to YouTube, Facebook, Instagram, Tik Tok or such others similar platforms; and</i></p> <p><i>(b) “payment” includes any inward remittance, transfer, or credit received through banking channels, including through intermediaries such as online payment service providers or digital financial platforms.</i></p> <p><i>(3) The tax deducted under this section shall be –</i></p> <p><i>(a) minimum in the case of a resident person; and</i></p> <p><i>(b) final tax in the case of a non-resident person not having a permanent establishment in Pakistan.</i></p> <p><i>(4) The Board may, by notification in the official Gazette, prescribe rules for implementation, including identification and reporting mechanisms.”</i></p>
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165AB	<p>Reporting of financial transaction data by banking companies and financial institutions.</p> <p>Non-Existent</p>	<p>A new section 165A is proposed to be inserted introducing the mechanism for reporting of financial transactions by banking companies and financial institutions particularly with respect to account holders having deposits or withdrawals exceeding one hundred million rupees during a reporting period.</p> <p><i>“(1) Notwithstanding anything contained in the Banking Companies Ordinance, 1962 (LVII of 1962), the State Bank of Pakistan Act, 1956 (XXXIII of 1956), the Protection of Economic Reforms Act, 1992 (XII of 1992), or any other law for the time being in force, every banking company and Electronic Money Institutions (EMIs) shall electronically upload the information, as mentioned in subsection (2), to the Central Data Hub, for algorithmic cross-matching of tax and bank information.</i></p> <p><i>(2) Information in respect of an account holders having deposits or withdrawals exceeding one hundred million Rupees during a reporting period in any or all of the bank accounts maintained by the account holder, specifying particulars of deposits or withdrawals, including opening and closing balances, peak credits, and total credits during the reporting period.</i></p> <p><i>(3) 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.</i></p> <p><i>(4) 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 center as provided in this Ordinance.</i></p> <p><i>(6) 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.</i></p>
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		<p>(7) In this section –</p> <p>(a) “reporting period” means, in respect of a Financial Year, a period of six months, starting from:</p> <p>(i) 1st day of July and ending on 31st day of December; and</p> <p>(ii) 1st day of January and ending on 30th day of June,;</p> <p>(b) “specified date” means the–</p> <p>(i) 31st day of January in case of reporting period ending on 31st day of December; and</p> <p>(ii) 31st day of July in case of reporting period ending on 30th day of June;</p> <p>(c) “accounts” means bank accounts maintained by a person including current deposits, call deposits, saving deposits, fix deposits, term deposits, or any other such deposits by whatever name called;</p> <p>(d) “peak credits” means the highest credit balance in all the bank accounts of the account holder on any given date during the reporting period;</p> <p>(e) “Central Data Hub” means a virtual repository of data and information maintained by the Board through PRAL; and</p> <p>(f) “compliance risk management (CRM)” means a computer programme for identification and communication of compliance risks, including understatement of sales, overstatement of expenses, non-reporting or under-reporting of incomes, assets, and transactions.”</p>
169	<p>Tax collected or deducted as a final tax. -</p> <p>(1) This section shall apply where –</p> <p>(b) the tax required to be deducted is a final tax under subsection (1E) of section 152, 152A, sub-section (2) of section 154A sub-section (3) of section 156, subsection (2) or section 156A or sub-section (7) of section 236Z on the income from which it was deductible.</p>	<p>Necessary amendment to give effect as final tax to deducted under section 154B in case of non-resident.”</p> <p>(b) the 4 tax required to be deducted is a final tax under 5 subsection (1E) of section 152, 152A, sub-section (2) of section 154A, <u>clause (b) of sub-section (3) of section 154B</u>, sub-section (3) of section 156, subsection (2) or 11section 156A or 12sub-section (7) of section 236Z on the income from which it 15 was deductible.”</p>

174	<p>174. Records.</p> <p>(5) The Commissioner may require any person to install and use an Electronic Tax Register of such type and description as may be prescribed for the purpose of storing and accessing information regarding any transaction that has a bearing on the tax liability of such person</p>	<p>Through this proposed amendment the Board is empowered to require certain persons to install and use electronic resource in prescribed manner.</p> <p><i>“(5) 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.”</i></p>
175AA	<p>Exchange of banking and tax information related to high-risk persons.</p> <p>(a) the Board may share information obtained from the tax declarations with scheduled banks in Pakistan, in respect of persons or classes of persons, for the purpose of cross-matching with the bank data through the data-based algorithms, as may be prescribed; and</p> <p>(b) the Scheduled banks shall provide to the Board the final results where the banking data is at variance with the algorithms provided under clause (a) of this sub-section.</p> <p>(c) Non-Existent</p>	<p>Certain amendments are proposed as under:</p> <p><i>“(a) the Board may share information obtained from the tax declarations with “the State Bank of Pakistan and” scheduled banks in Pakistan, in respect of persons or classes of persons, for the purpose of cross-matching with the “State Bank’s Central Data Repository (by any name) and” bank data through the data-based algorithms, as may be prescribed; and</i></p> <p><i>(b) the Scheduled banks shall provide to the “State Bank of Pakistan, Microfinance banks, and Electronic Money Institutions (EMIs) and” Board the final results where the banking data is at variance with the algorithms provided under clause (a) of this sub-section; and</i></p> <p><i>(c) the State Bank of Pakistan may establish, operate and maintain a secure centralized virtual repository of banking data, comprising such information, records, and financial transactions of persons maintained by Scheduled banks on the basis of unique identifiers, as may be prescribed by the Board and collect and provide data and results as per clauses (a) and (b) of this sub-section.”;</i></p>

177(6B)	<p>Audit</p> <p>(6B) Non-Existent</p>	<p>The new proviso is proposed to be introduced empowering the Commissioner, to require a re-audit of accounts, re-valuation of inventory, or actuarial review where accounts are complex or their accuracy is doubtful. The review shall be conducted by professionals nominated by the tax authorities from an approved panel rather than by the taxpayer. This measure is aimed at strengthening tax compliance and protecting tax revenue, although it may increase compliance costs and administrative burden for taxpayers.</p> <p><i>“(6B) If, at any stage of the proceedings before him, if the Commissioner is of the opinion that having regard to, --</i></p> <p><i>(a) the nature and complexity of the accounts; or</i></p> <p><i>(b) volume of the accounts; or (c) doubts about the correctness of the accounts; or (d) multiplicity of transactions in the accounts; or (e) specialized nature of business activity of the taxpayer; and interests of the revenue, is of the opinion that it is necessary so to do, he may, after giving the taxpayer a reasonable opportunity of being heard, and with the previous approval of the Chief Commissioner, direct the taxpayer to get either or all of the following to get the</i></p> <p><i>(i) accounts re-audited by an accountant, and to furnish a report of such audit duly signed and verified by such accountant including answers to the specific queries as the Commissioner may require;</i></p> <p><i>(ii) inventory re-valued by a cost accountant, and to furnish a report of such inventory valuation duly signed and verified by such cost accountant including answers to the specific queries as the Commissioner may require; and</i></p> <p><i>(iii) actuarial values in the accounts determined by an actuary and to furnish a report of such valuation duly signed and verified by such actuary including answers to the specific queries as the Commissioner may require;</i></p> <p><u>Explanation:</u> <i>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 subsection from amongst the panel of such accountants, valuers, or actuaries nominated by the Board.”;</i></p>
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182(1)	182. Offences and penalties. – (1) (1)		Through this proposed amendment major enhancements are proposed to be made, the penalty amount is being linked to higher of tax payable or the highest tax payable by person in last three years:		
	Where any person fails to furnish a return of income as required under section 114 within the due date.	Such person shall pay a penalty equal to higher of – (a) 0.1% of the tax payable in respect of that tax year for each day of default; or (b) rupees one thousand for each day of default: Provided that minimum penalty shall be (i) rupees ten thousand in case of individual having seventy-five percent or more ncome from salary; or (ii) rupees fifty thousand in all other cases: Provided further that maximum penalty shall not exceed two hundred percent of tax payable by the person in a tax year: Provided also that the amount of penalty shall be reduced by 75%, 50%	114 and 118	<i>Where any person fails to furnish a return of income as required under section 114 within the due date.</i>	<i>Such person shall pay a penalty equal to higher of (a) 0.1% of the tax payable in respect of that tax year for each day of default; or (b) rupees one thousand for each day of default: Provided that minimum penalty shall be (i) rupees ten thousand in case of individual having seventy-five percent or more income from salary; or (ii) rupees fifty thousand in all other cases: Provided further that maximum penalty shall not exceed two hundred percent of tax payable by the person in a tax year: Provided also that the amount of penalty shall be reduced by 75%, 50% and 25% if the return is filed within one, two and three months respectively after the due date or extended due date of filing of return</i>

		<p>and 25% if the return is filed within one, two and three months respectively after the due date or extended due date of filing of return as prescribed under the law;</p> <p>Explanation For the purposes of this entry, it is declared that the expression "tax payable" means tax chargeable on the taxable income on the basis of assessment made or treated to have been made under section 120, 121, 122 or 122D;</p>			<p><i>as prescribed under the law;</i> <i>Explanation for the purposes of this entry, it is declared that the expression "tax payable" means higher of – (1) 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</i></p> <p><i>(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.";</i></p>	
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182(1)(2A)	<p>182. Offences and penalties. – (1) (2A)</p> <p>Non-Existent</p>	<p>This new provision introduces enforcement for taxpayers required to install and operate prescribed electronic systems for recording and reporting tax-relevant transactions. Failure to install will attract penalty.</p>		
		<p><i>Where any person, having been required by the Board under sub-section (5) of section 174 to install and use an electronic resource of the type and description prescribed for the purpose of storing and accessing information regarding any transaction that has a bearing on the tax liability of such person, fails to install such electronic resource within the time specified, or having installed it, fails to use, maintain, or operate it in the prescribed manner, or tampers with, disables, or circumvents such electronic resource.</i></p>	<p><i>One million rupees for the first default, and two million rupees for each subsequent default.</i></p>	<p>174(5)</p>

182(1)(2B)

182. Offences and penalties. – (1) (2B)

Non-Existent

The new entry proposed to be inserted shall strengthen the data-sharing framework by imposing penalties on senior officials of integrated organizations under section 175A that fail to connect their IT systems, provide required data, or comply with requirements.

<i>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.</i>	<i>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</i>	<i>175A;</i>
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			<p><i>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.</i></p>	
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182(1)(8)	182. Offences and penalties. – (1) (8)		In this clause, penalty for noncompliance are increased to one hundred thousand, two hundred thousand and three hundred thousand for respective defaults to produce records or documents required during an audit under section 177.		
	<p>Where a taxpayer who, without any reasonable cause, in noncompliance with provisions of section 177 (a) fails to produce the record of documents on receipt of first notice</p> <p>(b) fails to produce the record or documents on receipt of second notice; and</p> <p>(c) Fails to produce the record or documents on receipt of third notice.</p>	<p>Such person shall pay a penalty of twenty-five thousand rupees;</p> <p>such person shall pay a penalty of fifty thousand rupees; and</p> <p>such person shall pay a penalty of one hundred thousand rupees.</p>	177	<p><i>Where a taxpayer who, without any reasonable cause, in noncompliance with provisions of section 177 –</i></p> <p><i>(a) fails to produce the record of documents on receipt of first notice</i></p> <p><i>(b) fails to produce the record or documents on receipt of second notice; and</i></p> <p><i>(c) Fails to produce the record or documents on receipt of third notice.</i></p>	<p>Such person shall pay a penalty of one hundred thousand rupees;</p> <p>such person shall pay a penalty of two hundred thousand rupees; and</p> <p>such person shall pay a penalty of three hundred thousand rupees.</p>

182(1)(10)	182. Offences and penalties. – (1) (10)			Amendment is proposed in penalties for taxpayers who provide false, misleading, or incomplete information to tax authorities in returns, statements, declarations, accounts, or other documents submitted under the Ordinance.		
	<p>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;</p> <p>(b) furnishes or files a false or misleading information or document or statement to an Income Tax Authority either in writing or orally or electronically;</p> <p>(c) omits from a statement made or information furnished to an Income Tax Authority any matter or thing without which the statement or the information is false or misleading in a material particular.</p>	<p>Such person shall pay a penalty of twenty five thousand rupees or 5 [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 this Ordinance to the taxpayers position</p>	114, 116, 174, 176, 177, 118	<p><i>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, objection or other document including books of accounts made, prepared, given, filed or furnished under this Ordinance;</i></p> <p><i>(b) furnishes or files a false or misleading information or document or statement to an Income Tax Authority either in writing or orally or electronically;</i></p> <p><i>(c) omits from a statement made or information furnished to an Income Tax Authority any matter or thing without which the statement or the information is false or misleading in a material particular.</i></p>	<p><i>Such person shall pay a penalty of five hundred thousand rupees or 5 100% 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 this Ordinance to the taxpayers' position</i></p>	114, 116, 174, 176, 177, 118

182(1)(12)	182. Offences and penalties. – (1) (12)		This amendment enhances penalties for tax evasion by imposing a penalty of Rs. 1 million or the amount of tax sought to be evaded, whichever is higher, where income is concealed or inaccurate particulars are furnished.		
	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 subsection (1) of section 111, in the course of any proceeding under this Ordinance 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.	20, 111 and General	<i>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 subsection (1) of section 111, in the course of any proceeding under this Ordinance before any Income Tax authority or the appellate tribunal</i>	<i>Such person shall pay a penalty of one million 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.</i>

182(1)(15)	182. Offences and penalties. – (1) (15)			<p>This amendment strengthens withholding tax enforcement by imposing a penalty of Rs. 500,000 or 10% of the tax not collected, deducted, or deposited, whichever is higher.</p> <p>Further, in the case of a company, the Principal Officer may also be held personally liable for an additional penalty of Rs. 500,000, enhancing accountability for tax withholding obligations.</p>		
	Any person who fails to collect or deduct tax as required under any provision of this Ordinance 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.	Division II or Division III, excluding subsection (2A) of section 153,] of Part V of Chapter X or Chapter XII]	Any person who fails to collect or deduct tax as required under any provision of this Ordinance or fails to pay the tax collected or deducted as required under section 160.	Such person shall pay a penalty of five hundred thousand rupees or the 10% of the amount of tax which-ever is higher: 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.	Division II or Division III, excluding subsection (2A) of section 153, of Part V of Chapter X or Chapter XII

182(1)(35)	182. Offences and penalties. – (1) (35)		<p>This amendment increases the scope of penal provision from company to all taxpayers who submit incomplete returns, blank annexures, irrelevant information, or inaccessible supporting documents.</p> <p>Further Audited financial statements filed in illegible, scanned, image-only, or password-protected formats that cannot be accessed by the tax authorities will be treated as incomplete submissions.</p>
	<p>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;</p> <p>(b) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or</p> <p>(c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed.</p>	<p>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.”</p>	
	<p><i>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;</i></p> <p><i>(b) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or</i></p> <p><i>(c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed.</i></p>	<p><i>Such person, including a 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.”</i></p>	114(2)]
			<p><i>Explanation. For the purposes of this entry,</i></p>

		<p><i>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."</i></p>		
<p>182(1)(36)</p>	<p>182. Offences and penalties. – (1) (36) Non- Existent</p>	<p>This new provision penalizes taxpayers who claim excess tax credit for withholding tax beyond the amount actually deducted and deposited by the withholding agent as verified through the tax system.</p> <p>Such wrongful claims will attract a penalty equal to the amount of the excess credit claimed, ensuring strict alignment between claimed and verified tax deductions.</p>	<p>Where a person claims a credit in respect of tax withheld at source under any provision of this Ordinance in excess of the amount verifiably deducted and deposited by the withholding agent, as confirmed through the Board's computerized system or otherwise.</p>	<p>Such person shall pay a penalty equal to the amount of excess credit claimed</p> <p>168</p>

<p style="text-align: center;">182A(1)(a)</p>	<p>(a) not be included in the active taxpayers' list for the year for which return was not filed within the due date</p> <p>Provided that without prejudice to any other liability under this Ordinance, the person shall be included in the active taxpayer ' list on filing return after the due date, if the person pays surcharge at Rupees-</p> <ul style="list-style-type: none"> (i) twenty thousand in case of a company (ii) ten thousand in case of an association of persons (iii) one thousand in case of an individual. 	<p>The amount of surcharge for inclusion in active taxpayer list for company, association of persons and individual has been proposed to be increased.</p> <p><i>“(a) not be included in the active taxpayers' list for the year for which return was not filed within the due date</i></p> <p><i>Provided that without prejudice to any other liability under this Ordinance, the person shall be included in the active taxpayer ' list on filing return after the due date, if the person pays surcharge at Rupees-</i></p> <ul style="list-style-type: none"> (i) <i>one hundred</i> thousand in case of a company (ii) <i>fifty</i> thousand in case of an association of persons (iii) <i>twenty-five</i> thousand in case of an individual.”
<p style="text-align: center;">209A</p>	<p>209A. Uniform. The Board may by notification in the official gazette, prescribe rules for wearing of uniform by officers and staff of Inland Revenue Service of Pakistan</p>	<p>Proposed to be omitted. A new section 237C relating to uniforms is proposed to be inserted.</p>

209B	<p>Faceless jurisdiction of income-tax authorities</p> <p>Non-Existent</p>	<p>A new section has been proposed to be inserted - likely to initiate the proceedings in faceless manner through electronic medium by means of algorithm and also defines the scope of powers and jurisdiction in respect of the Inland Revenue tax authorities appointed in National Faceless Center.</p> <p><i>"209B. Faceless jurisdiction of income-tax authorities. –</i></p> <p><i>(1) Notwithstanding anything contained in this Ordinance, the Inland Revenue tax authorities appointed in National faceless center shall perform all or such functions, and exercise all or such powers under this Ordinance as may be assigned to them in respect of such persons, or classes of persons, for such tax years of a person through algorithms developed by the Board.</i></p> <p><i>(2) The jurisdiction so assigned under this Ordinance may be exclusive or concurrent. In case of concurrent jurisdiction, the powers and functions not assigned to the National faceless centre shall remain with the Commissioner having jurisdiction under section 209 of this Ordinance.</i></p> <p><i>(3) 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 under section 209 of this Ordinance, on recommendation of the Chief Commissioner or on its own accord.</i></p> <p><i>(4) The Chief Commissioner appointed in the National faceless center may request the Board to direct the Commissioner having jurisdiction under section 209 or any other Income Tax Authority, as it may deem fit to conduct physical verification including nature and size of the business, assets, investments, expenditures, and any other information or verification required by the Chief Commissioner for conducting any proceedings assigned to the National faceless centre:</i></p> <p><i>Provided that the Board may exercise its power of allocation of verification through an algorithm-based system</i></p>
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		<p>(5) Notwithstanding anything contained in any law for the time being in force, the identity of the authority exercising jurisdiction in the National faceless centre shall be kept confidential from the taxpayer, the authorized representative of the taxpayer, and any unauthorized person.</p> <p>(6) No notice, order, demand, or assessment passed by an authority appointed at the National faceless centre shall be called in question or set aside merely on the ground that such authority did not have jurisdiction over the taxpayer under section 209 of this Ordinance, or lack of notified delegation of power under section 210 of this Ordinance, or because of the fact that identity of the authority has been kept confidential from the taxpayer as per sub-section (5)."</p>
216(3)	<p>Sub-clauses proposed to be substituted</p> <p>(ba) to an auditor appointed on contractual basis or engaged through a third party including a payroll firm in the Federal Board of Revenue, after a non-disclosure agreement is made with such auditor as may be prescribed, to assist any authority mentioned in clauses (b) to (g) of sub-section (1) of section 207.</p> <p>(ke) to the recognized universities and international donor agencies subject to the conditions that before sharing, the taxpayer's data shall be anonymized.</p>	<p>Through the proposed amendments, certain persons are added in the list of persons to whom disclosure may be made:</p> <ul style="list-style-type: none"> i. audit mentors and sectoral experts along with auditor; and ii. international research institutions along with recognized universities and international donor agencies. <p>"(ba) to an auditor, audit mentors and sectoral experts appointed on contractual basis or engaged through a third party including a payroll firm in the Federal Board of Revenue, after a non-disclosure agreement is made with such auditor as may be prescribed, to assist any authority mentioned in clauses (b) to (g) of sub-section (1) of section 207;</p> <p>(ke) to the recognized universities international research institutions and international donor agencies subject to the conditions that before sharing, the taxpayer's data shall be anonymized."</p>

222(2)	<p>(2) The Board may also appoint as many auditors on contractual basis or through a third-party arrangement, as the case may be, as it deems fit for carrying out the purposes of this Ordinance:</p> <p>Provided that the total number of auditors appointed under this section shall not be more than two thousand.</p>	<p>The new amendment in proposed Finance Bill 2026, authorizes the Board to appoint audit mentors and sectoral experts along with auditors.</p> <p><i>(2) The Board may also appoint as many auditors, audit mentors and sectoral experts on contractual basis or through a third-party arrangement, as the case may be, as it deems fit for carrying out the purposes of this Ordinance:</i></p> <p><i>Provided that the total number of auditors appointed under this section shall not be more than two thousand.</i></p>
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227D	<p>227D. Automated impersonal tax regime.- (1) The Board may design an alternate impersonal taxation regime whereby personal interaction will be minimized.</p> <p>(2) The Board may, by notification in the official Gazette, prescribe the procedure in this behalf.</p> <p>(3) This section shall be applicable only for low risk and compliant taxpayers as may be prescribed</p>	<p>The section 227D 'Automated impersonal tax regime' has been proposed to be replaced with 'National Faceless Centre' - which introduces a separate wing, with specifically defined scope and implementation of digital tax proceedings through electronic communication. Its substitution transforms a brief 3-sub-section aspiration into a comprehensive 6-sub-section statutory blueprint for the National Faceless Centre.</p> <p><i>"227D. National Faceless Centre.- (1) Notwithstanding anything to the contrary contained in any of the provisions of this Ordinance, the Board may, for the purposes of proceedings under this Ordinance in faceless manner, establish a National faceless center (hereinafter referred to as "the centre") and specify its jurisdiction, powers and functions.</i></p> <p><i>(2) 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.</i></p> <p><i>(3) The Board may design algorithms for assigning any function or jurisdiction under this section to any of the authorities mentioned in sub-section (2).</i></p> <p><i>(4) The Centre shall comprise as many wings and units as may be prescribed by the Board.</i></p> <p><i>(5) The functions of audit, assessment, and quality control in a specific case for a specific tax year shall be performed by separate officers.</i></p> <p><i>(6) 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.</i></p>
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228A	<p>228A. Directorate General (Field Compliance), Inland Revenue.</p> <p>Non-Existent</p>	<p>The newly proposed section of Directorate General (Field Compliance) Inland Revenue introduces a new office and empowers the Board to appoint its officers and define their jurisdiction, functions, and powers.</p> <p><i>"228A. Directorate General (Field Compliance), Inland Revenue. –</i></p> <p><i>(1) The Directorate General (Field Compliance) Inland Revenue shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint.</i></p> <p><i>(2) The Board may, by notification in the official Gazette, –</i></p> <p><i>(a) specify the functions and jurisdiction of the Directorate General and its officers; and</i></p> <p><i>(b) confer the powers of authorities specified in section 207 upon the Directorate General and its officers."</i></p>
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231B(6)	<p>(6) For the purposes of this section the expression “date of first registration” means –</p> <p>(a) the date of issuance of broad arrow number in case a vehicle is acquired from the Armed Forces of Pakistan;</p> <p>(b) the date of registration by the Ministry of Foreign Affairs in case the vehicle is acquired from a foreign diplomat or a diplomatic mission in Pakistan;</p> <p>(c) the last day of the year of manufacture in case of acquisition of an unregistered vehicle from the Federal or a Provincial Government; and</p> <p>(d) in all other cases the date of first registration by the Excise and Taxation Department.</p>	<p>Following changes are proposed in sub-section (6) of section 231B of the Ordinance whereby the proposed omission of clause (c) removes a specific rule that treated the 'last day of the year of manufacture' as the deemed first registration date for unregistered government vehicles transferred to private buyers:</p> <p><i>“(6) For the purposes of this section the expression “date of first registration” means –</i></p> <p><i>(a) the date of issuance of broad arrow number in case a vehicle is acquired from the Armed Forces of Pakistan;</i></p> <p><i>(b) the date of registration by the Ministry of Foreign Affairs in case the vehicle is acquired from a foreign diplomat or a diplomatic mission in Pakistan; and</i></p> <p><i>(c) the last day of the year of manufacture in case of acquisition of an unregistered vehicle from the Federal or a Provincial Government; and</i></p> <p><i>(d) in all other cases the date of first registration by the Excise and Taxation Department.”</i></p>
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236CA	<p>236CA. Advance tax on TV plays and advertisements.- (1) Any licensing authority certifying any foreign TV drama serial or a play dubbed in Urdu or any other language, for screening and viewing on any landing rights channel, shall collect advance tax at the rates specified in Division XA of Part IV of the First Schedule.</p> <p>(2) Any licensing authority certifying any commercial for advertisement starring foreign actor, for screening and viewing on any landing rights channel shall collect advance tax at the rates specified in Division XA of Part IV of the First Schedule.</p> <p>(3) The tax required to be collected under this section shall be minimum tax in respect of income arising from such drama serial or play or advertisement referred to in sub-section (1) or (2) of this section.</p>	Proposed to be omitted
237C	<p>237C. Uniform.</p> <p>Non-Existent</p>	<p>The proposed section 237C of chapter XIII has been transferred from section 209A of chapter XI from earlier Ordinance being an administrative measure to enhance professionalism and public identification of IRS officers. A uniform requirement also supports the faceless assessment framework, in field operations, uniformed officers are more easily identified as acting in official capacity, and it helps taxpayers distinguish genuine officials from impostors.</p> <p><i>“237C. Uniform. - The Board may by notification in the official Gazette, prescribe rules for wearing of uniform by officers and staff of Inland Revenue Service of Pakistan.”</i></p>

THE FIRST SCHEDULE

PART-I
DIVISION I

Rate of tax for salaried individuals has been proposed to be amended, and the table has been substituted as follows:

Where the income of an individual chargeable under the head "salary" exceeds seventy-five per cent of his taxable income, the rates of tax to be applied shall be as set out in the following table, namely:

S. No	Taxable Income	Rate of Tax Existing	Rate of Tax Proposed
(1)	(2)	(3)	(4)
1.	Where taxable income does not exceed Rs. 600,000	0%	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	1% of amount exceeding the Rs. 600,000	1% of amount exceeding the Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs. 6,000 + 11% of the amount exceeding Rs.1,200,000	Rs. 6,000 + 11% of the amount exceeding Rs.1,200,000
4.	Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs. 116,000 + 23% of the amount exceeding Rs.2,200,000	Rs. 116,000 + 20% of the amount exceeding Rs.2,200,000
5.	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 346,000 + 30% of the amount exceeding Rs. 3,200,000	Rs. 316,000 + 25% of the amount exceeding Rs. 3,200,000
6.	Where taxable income exceeds Rs. 4,100,000 but does not exceed Rs. 5,600,000	Rs. 616,000 + 35% of the amount exceeding Rs. 4,100,000	Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000
7.	Where taxable income exceeds Rs. 5,600,000 but does not exceed Rs. 7,000,000	***	Rs. 976,000 + 32% of the amount exceeding Rs. 5,600,000/-
8.	Where taxable income exceeds Rs. 7,000,000	****	Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000/-:

DIVISION IIB
SUPER TAX ON HIGH EARNING PERSONS

The rates of tax under section 4C have been proposed to be amended as under:

S. No	Income Under Section 4C	For tax year 2027 and onwards
(1)	(2)	(3)
1	Income of a banking company exceeding Rs.150 million	10% of the income
2	Income of a person, whose income is computed as per Part I of the Fifth Schedule, exceeding Rs. 150 million, so far as it does not exceed the limit specified in rule 4 of that Part	10% of the income
3	Income of a person, engaged in deriving income from sale of any kind of fertilizer, exceeding Rs. 150 million.	10% of the income
4	Income of a person other than those mentioned in S. No. 1, 2 and 3, exceeding Rs. 500 million	8% of the income

DIVISION IVA

RATE OF TAX ON PAYMENTS

FOR DIGITAL TRANSACTIONS IN E-COMMERCE PLATFORMS

The rate of tax imposed under section 6A on payment for digitally ordered goods or digitally ***ordered*** services through e-commerce platforms including websites shall be in case of payment through –

- (i) digital means or banking channels by payment intermediary at the rate of 1% of gross amount paid or payable; and
- (ii) cash on delivery by courier service at the rate of 2% of the gross amount paid or payable.

DIVISION VII

CAPITAL GAINS ON DISPOSAL OF SECURITIES

It has been proposed to amend third proviso as follows:

provided also that a mutual fund or a collective investment scheme or a REIT Scheme shall ***“charge and”*** deduct capital gains tax at the rates as specified below, on redemption of securities as prescribed, namely: –

Category	Rate
Individual and association of persons	15% for stock funds 15% for other funds
Company	15% for stock funds 25% for other funds

DIVISION VIIIIC
TAX ON DEEMED INCOME

The rate of tax under section 7E has been proposed to be omitted.

DIVISION IX
MINIMUM TAX UNDER SECTION 113

It has been proposed to amend as follows.

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

New division has proposed to be added namely:

DIVISION 1C

Certain payments by life insurance companies and takaful operators

S. No	Description	Rate of Tax
(1)	(2)	(3)
1	<i>Where payout or benefit is made within one year from the date of issuance of the life insurance policy, family takaful certificate or plan</i>	15%
2	<i>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.</i>	10%

DIVISION III

Payments for goods or services

Rate of tax on specified services has been proposed to be amended as follows:

(2) The rate of tax to be deducted from a payment referred to in clause (b) of sub-section (1) of section 153 shall be –

- (i) [7%] of the gross amount payable, in the cases of transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in section 2, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services including architectural services, warehousing services, services rendered by asset management companies, data services provided under license issued by the Pakistan Telecommunication Authority, telecommunication infrastructure (tower) services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited, inspection, certification, testing and training services, oilfield services, telecommunication services, collateral management services, travel and tour services, REIT management services, services rendered by National Clearing Company of Pakistan Limited.

Provided that the rate of tax shall be 4% in case of IT services and IT enabled services as defined in section.

Explanation: –

The tax rate under this subparagraph shall be applicable only to a service provider whose services are subjected to withholding tax on gross receipts and the service provider has not agitated taxation of gross receipts before any court of law;

- (ii) 15% in the case of independent professional services such as doctors, lawyers, architects, accountants, software engineers or developers, working independently; and***
- (iii) 1.5% of the gross amount payable to electronic and print media in case of advertising services; and***
- (iv) 14% of the gross amount in the case of services other than those covered in subparagraphs (i), (ii) and (iii).***

DIVISION IIIA

Gain arising on disposal of certain debt securities.

Rate of tax under section 151A has been proposed to be amended as follows:

The rate of tax to be deducted under section 151a shall be **20%** of the gross amount of capital gain.

New division has proposed to be added namely:

DIVISION IIIAB

Withholding tax on Revenues Received from Social Media Platforms

The Rate of Tax to be Deducted Under Section 154B shall:

- (a) 5% in case of resident persons whose name appearing in the Active Taxpayers 'List; and***
- (b) 5% in case of non-resident person:***

Provided that tax collected under clause (b) shall be final tax. ”

DIVISION IV

Exports

The rate of tax on exports proposed to be amended as follows:

- (1) The rate of tax to be deducted under sub-sections (1), (3), (3A), (3B) or (3C) of section 154 shall be **1.25%** of the proceeds of the export.**
- (3) The rate of tax to be deducted under sub-section 5 [(2)] of section 153 shall be **1.25%**.**

**DIVISION IVA
Export of Services**

It has been proposed to extend the concessional tax rate applicable to export proceeds derived from computer software and IT services IT enabled services until Tax Year 2029 which read as follows:

The rate of tax to be deducted under section 154A shall be:

S. No	Types of Receipts	Rate of Tax
(1)	(2)	(3)
1	Export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board	0.25% of proceeds 3 [for tax years 2024 up to tax year 2029]
2	Any other case	1% of proceeds]

PART IV

DIVISION X

Advance tax on Sale or Transfer of Immovable Property

Rate of tax u/s 236C has been proposed to be reduced as follows:

The rate of tax to be collected under section 236C shall be 2.75% of the gross amount of the consideration received.

DIVISION XA

Advance tax on TV Plays and Advertisements

Rate of advance tax on TV plays and advertisement under section 236CA has been proposed to be omitted.

DIVISION XVIII

Advance tax on Purchase of Immovable Property

Rate of tax u/s 236K has been proposed to be reduced as follows:

The rate of tax to be collected under section 236K shall be 1.25% of the fair market value of an immovable property.

DIVISION XXVII

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

Rate of tax u/s 236Y has been proposed to be reduced as follows:

The rate of tax to be deducted under section 236Y shall be **0.5%** of the gross amount remitted abroad.

THE SECOND SCHEDULE
PART-I
EXEMPTIONS FROM TOTAL INCOME

In sub-clause (4) of Clause (57);

It has been proposed to amend serial number (xiii) in column (2) in which expression “National Endowment Scholarship for Talent (NEST)” has replaced by the expression “Pakistan Education Endowment Fund”.

<i>Sr. No.</i>	<i>Name</i>
(1)	(2)
<i>xiii.</i>	Pakistan Education Endowment Fund

It has also been proposed to add new serial numbers in column (1) after serial number (lii) with new entities in column (2) namely:

<i>Sr. No.</i>	<i>Name</i>
(1)	(2)
<i>liii.</i>	<i>Pakistan Red Crescent Society</i>
<i>liv.</i>	<i>Shaheen Foundation established by Pakistan Air Force</i>
<i>lv.</i>	<i>Dawat-e-Hadiya</i>
<i>lvi.</i>	<i>Bahria Foundation established by Pakistan Navy</i>
<i>lvii.</i>	<i>Sindh Institute of Urology and Transplantation</i>

In clause (78):

It has been proposed to amend clause (78) as follows:

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

In clause (79):

It has been proposed to amend clause (79) as follows:

(79) Any profit on debt derived from a rupee account held with a scheduled bank in Pakistan by 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*, where the deposits in the said account are made exclusively from foreign exchange remitted into the said account.

PART-II
REDUCTION IN TAX RATES

In clause (5AA):

It has been proposed to amend clause (5AA) as follows:

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

Provided that tax deducted on such profit on debt shall be final tax.

After clause (24CB):

New clause has been proposed to be inserted, after clause (24CB) namely (24CC) as follows;

"(24CC) The rate of tax under clause (b) of sub subsection (1) of section 153 to be deducted from a person rendering terminal or port service shall be twelve percent of the gross amount of payment."

For clause (24D):

Clause (24D) has been proposed to be substituted in entirety as follows:

“(24D) The rate of minimum tax under sub-section (1) of section 113 in the case of distributors, dealers, sub-dealers, wholesalers of packaged food, fertilizer, locally manufactured mobile phones, sugar and electronics shall be 0.5%, subject to the conditions that beneficiaries of reduced rate are appearing on the active taxpayers’ lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001 (XLIX of 2001).”

PART-IV

EXEMPTIONS FROM SPECIFIC PROVISIONS

In Clause (12A):

It has been proposed to amend clause (12A) as follows:

(12A) The provisions of section 150 shall not apply to dividend paid *by* Transmission Line Projects under Transmission Line Policy 2015.

~~Clause (46A) “Omitted” the provisions of sub-section [(3)] of section 153 shall not apply to any payment received by a manufacturer of iron and steel products relating to sale of goods manufactured by him~~

In Clause (47B):

It has been proposed to amend Clause (47B) as follows:

(47B) The provisions of sections 150, 151, 151A, 233 and Part I, Division VII of the First Schedule shall not apply to any person making payment to National Investment Unit Trust or a collective investment scheme or Approved Pension Fund or an Approved Income Payment Plan or a REIT Scheme including Special Purpose Vehicle or a recognized provident fund or an approved superannuation fund or an approved gratuity fund.

~~Clause (57) pertaining to non-applicability of section 153 on Trading Houses is proposed to be “Omitted”~~

In Clause (111AB): It has been proposed to amend clause (111AB) as follows

(111AB) The provisions of section 100BA and Rule 1 of the Tenth Schedule shall not apply

to *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)* with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan.

In Clause (114A) - Clause (114A) has been proposed to be substituted in entirety as follows:

“(114A) The provisions of clause (ae) of sub-section (1) of section 114 and section 181 shall not apply to a person maintaining a 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) with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan:

Provided that this clause shall not apply if the person referred in this clause has Pakistan-source taxable income other than the following; namely: –

- (a) profit on debt on FCVA, FCBVA, NRVA, or NRBVA ;*
- (b) profit on debt earned on Government of Pakistan (GOP) securities either conventional or Shariah Compliant where investment has been made from proceeds of FCVA, FCBVA, NRVA, or NRBVA;*
- (c) capital gain on disposal of immovable property acquired from proceeds of FCVA or NRVA;*
- (d) capital gain on disposal of securities traded on Pakistan Stock Exchange and units of mutual funds that are acquired from proceeds of FCVA, FCBVA, NRVA, or NRBVA; or*
- (e) dividend income from securities traded on Pakistan Stock Exchange and mutual funds that are acquired from proceeds of FCVA, FCBVA, NRVA, or NRBVA.”*

In Clause (115):

It has been proposed to amend clause (115) as follows:

(115) The provisions of section 153 shall not apply to traders being individuals having turnover up to *two* hundred million Rupees as a prescribed person.

THE EIGHTH SCHEDULE

RULES FOR THE COMPUTATION OF CAPITAL GAINS ON LISTED SECURITIES

Rule 5. *"Omitted"*

THE TENTH SCHEDULE

RULES FOR PERSONS NOT APPEARING IN THE ACTIVE TAXPAYERS' LIST

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

Rule 10, sub-clause (y) [~~tax collected under section 9[37A on disposal of securities acquired on and from 1st day of July, 2025]~~] *"Omitted"*

SALES TAX ACT 1990

COMPARISON & COMMENTS

<u>SECTION</u>	<u>PRESENT POSITION</u>	<u>PROPOSED AMENDMENT THROUGH FINANCE BILL 2026</u>
2(1AA)	Insertion of Definition of " advance receipt invoice "	<p>Through proposed amendment the definition of advance receipt invoice has been proposed to inserted in format as may be prescribed be the board.</p> <p>The said definition is reproduced as under:</p> <p><i>"Advance receipt invoice" Means an invoice in the format as may be notified by the Board from time to time".</i></p>
(9AB)	Insertion of Definition of " electronic invoicing system "	<p>Through the proposed amendment, a definition of 'electronic invoicing system' has been proposed to be inserted, whereby the Board may prescribe a system or mechanism for the issuance and recording of sales tax invoices in electronic form.</p> <p>The said definition is reproduced as under:</p> <p><i>"Electronic invoicing system" means such electronic system or mechanism as may be prescribed or approved by the Board for issuance and recording of sales tax invoices in electronic form".</i></p>
(22) (1A)	Insertion of Definition of " production monitoring system "	<p>Through the proposed amendment, a definition of 'production monitoring system' has been proposed to be inserted, to define the monitoring system of 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.</p> <p>The said definition is reproduced as under:</p> <p><i>"Production monitoring system" means any system or technology, used for the purposes of monitoring production and sale of goods, whether in real-time or otherwise, including such systems or technologies as may be prescribed by the Board from time to time".</i></p>

2(43A) (d) (f)(g)	<p>Threshold under section 43A sub-clause (d).</p> <p>Sub-Clauses (f) and (g) of clause 43A of section 2.</p>	<p>The said proposed change is reproduced as under:</p> <p><i>(d) a wholesaler-cum-retailer, "having turnover more than two hundred million" engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers.</i></p> <p>Sub-Clauses (f) and (g) of clause 43A of section 2 are proposed to be omitted, the said omitted sub-clauses are as under:</p> <p><i>Sub-Clause (f). "a retailer who has acquired point of sale for accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan".</i></p> <p><i>Sub-Clause (g). " a retailer whose deductible withholding tax under sections 236G or 236H of the Income Tax Ordinance, 2001(XLIX of 2001) during the immediately preceding twelve consecutive months has exceeded the threshold as may be specified by the Board through notification in the official Gazette".</i></p>
2(44)(a)	<p>Insertion of explanation in section 2(44), in connection with Time of supply.</p>	<p>Through the proposed amendment, the concept of "time of supply" has been expanded. Previously, it was determined by the earlier of delivery of goods or receipt of payment; however, it has now been enhanced to also include the point when goods are ready for dispatch, thereby broadening the scope of tax liability timing.</p> <p>The explanation is reproduced as under:</p> <p><i>"Explanation. - "For the removal of doubt, the term goods are delivered or made available mean the goods become ready for dispatch from the business premises including but not limited to factory, warehouse, godown or branch".</i></p>

2(46)(j)	Insertion in section 2(46)(j), regarding empowerment of board for purpose of value of supply.	<p>Through proposed amendment board has been empowered to either use the value of goods as specified by Pakistan Bureau of Statistics immediately before the start of tax period or may outsource the functions of valuation of goods to third party in prescribed manner if deems fits.</p> <p>The sub-clause (j) is reproduced as under:</p> <p><i>“For this purpose of valuation, the Board may use the valuation of such goods as notified by Pakistan Bureau of Statistics immediately before the start of tax period. The Board may also where deems fit outsource the functions of valuation of goods to third party in the mode and manner as may be prescribed”.</i></p>
6(2)	Insertion in section 6(2).	<p>The insertion in sub-section 2 of section 6 is reproduced as under:</p> <p><i>“Provided further that in the case of steel melters, steel re-rollers and composite units, the tax shall be collected on the basis of per unit electricity consumption at the rate as prescribe by the Board, through notification in the official Gazette. The tax so collected shall be adjustable and the excess amount, if any, shall be refunded on monthly basis through Board’s automated refund system to those registered persons who integrate with the Board’s prescribed production monitoring and digital invoicing systems.”</i></p>
8B(1)	Amendment in section 8B(1) regarding empowerment of board to reduce or enhance limit prescribed under this sub-section.	<p>Through the proposed amendment, the Board has been empowered to adjust the threshold limit under section 8B, either by reducing or enhancing it, based on a taxpayer’s compliance or non-compliance with prescribed digital integration systems such as production monitoring, digital invoicing, e-bilty, POS, or any other electronic system specified by the Board for real-time data integration.</p> <p>The amendment in section 8B(1) is reproduced as under:</p>

		<p>“Provided further also that the Board may by notification in the official Gazette, reduce or enhance the limit provided in this sub-section for any registered person on the basis of compliance or non-compliance with the production monitoring, digital invoicing, e-Bility, POS, or any other electronic system prescribed by the Board for digital integration of data”.</p>
9	Non-Existent	<p>The insertion of section 9 is reproduced as under:</p> <p>“Provided that the issuance of debit and credit notes shall be governed by the mechanism including electronic adjustments, as may be prescribed by the Board”.</p>
11H	Non-Existent	<p>Through proposed amendment new section is proposed to be inserted for faceless proceeding in respect of any audit under section 25 and 72B and order under 11E and rectification under 57 of The Sales Tax Act, 1990.</p> <p>The proposed inserted section 11H is reproduced as under:</p> <p>“11H. Faceless audit and assessment.- (1) Notwithstanding anything to the contrary contained in any other provision of this Act, any audit under sections 25 and 72B, any order made under section 11E, and rectification under section 57 with respect to the cases referred to in sub-section (2), may be made in a faceless manner as may be prescribed by the Board from time to time.</p> <p>(2) The faceless assessment under sub-section (1) shall be made in respect of such persons or class of persons, or incomes or class of incomes, or cases or class of cases, as may be specified by the Board.</p> <p>(3) The provisions of section 25 shall apply to the audit conducted in faceless manner under this section:</p> <p>Provided that where opportunity of being heard is to be provided to the taxpayer during the course of this audit or a statement under oath is</p>

		<p><i>required to be obtained from a taxpayer or any other person under section 37 of this Act, the same shall be done through E-hearing:</i></p> <p><i>Provided further that the identity of the officer, including facial and voice identity, conducting such E-hearing shall be kept confidential.”.</i></p>
21(2)	Insertion of proviso in Section 21(2).	<p>Through proposed amendment non-compliance of sub-sections (5) and (6) of section 23 or section 40C has been added as another condition upon which commissioner may suspend or blacklist the sales tax registration of the registered person.</p> <p>The amendment in sub-section (2) of section 21 is reproduced as under:</p> <p><i>(2) Notwithstanding anything contained in this Act, in cases where the [Commissioner] is satisfied that a registered person is found to have issued fake invoices, has committed non-compliance of sub-sections (5) and (6) of section 23 or section 40C [...] or has [otherwise] committed tax fraud, he may [issue an order of suspension and blacklisting] such person or suspend his registration in accordance with such procedure as the Board may by notification in the official Gazette, prescribe.]</i></p>
23(1)	Section 23(1)	<p>Through proposed amendment the particular previously applied for issuing taxable invoices have now also made applicable to issuing exempt supplies invoices and further particular including an advance receipt invoice, bearing a verifiable and unique FBR invoice number has been added.</p> <p>The amended is reproduced as under:</p> <p><i>(1) A registered person making a taxable as well as exempt supply shall issue a tax invoice including an advance receipt invoice, bearing a verifiable and unique FBR invoice number at the time of supply of goods containing the following particulars 356[, in Urdu or English language,] namely:</i></p>

23(1b)	<p>Insertion in section 23(1b), regarding empowerment of board to notify the person for issuing advance receipt invoice.</p>	<p>Through proposed amendment the board is empowered to notify any person or class of persons who may be allowed to issue an advance receipt invoice or the condition of verifiable and unique FBR invoice number shall be applicable from a time as notified by the Board.</p> <p>The amendment is reproduced as under:</p> <p><i>“Provided that the Board may notify any person or class of persons who may be allowed to issue an advance receipt invoice within the notified system: Provided further that the condition of verifiable and unique FBR invoice number shall be applicable from a time as notified by the Board.”</i></p>
25 (8A) (8B)	<p>Non-Existent</p>	<p>The Proposed Section 25(8A) & 25(8B) are as under:</p> <p><i>(8A) If, at any stage of the proceedings before him, if the Commissioner is of the opinion that having regard to,</i></p> <ul style="list-style-type: none"> <i>(a) the nature and complexity of the accounts; or</i> <i>(b) volume of the accounts; or</i> <i>(c) doubts about the correctness of the accounts; or</i> <i>or</i> <i>(d) multiplicity of transactions in the accounts; or</i> <i>or</i> <i>(e) specialized nature of business activity of the registered person, and interests of the revenue, is of the opinion that it is necessary so to do, he may, after giving the registered person a reasonable opportunity of being heard, and with the previous approval of the Chief Commissioner, direct 19 the registered person to get either any or all of the following: –</i> <ul style="list-style-type: none"> <i>(i) accounts re-audited by an accountant, and to furnish a report of such audit duly signed and verified by such accountant including answers to the specific queries as the Commissioner may require; or</i> <i>(ii) inventory re-valued by a cost accountant, and to furnish a report of such inventory valuation duly signed and verified by such cost accountant including answers to the specific queries as the Officer of Inland Revenue may require;</i>

		<p>Explanation: - <i>The accountant or the cost accountant, as referred to in this sub-section shall be nominated by the Commissioner for the purposes of the said sub-section from amongst the panel of such accountants or cost accountants nominated by the Board."</i></p> <p><i>(8B) After completion of the audit, the officer of Inland Revenue shall, after obtaining the registered person's explanation on all the issues raised in the audit, issue an audit report containing audit observations and finding."</i></p>
25(9)	Substitution in section 25(9).	<p>The proposed amended in sub-section 9 of section 25 is reproduced as under:</p> <p><i>"After issuing the audit report, the officer of Inland Revenue may, if required pass an order under section 11E, after providing an opportunity of being heard to the registered person under sub-section (1) of section 11E."</i></p>
25(11)	Substitution in Section 25(11).	<p>The proposed amended section is reproduced as under:</p> <p><i>(11) Notwithstanding the penalties prescribed in section 33, if a registered person deposit the amount of tax short paid or amount of tax evaded along with default surcharge voluntarily, whenever it comes to his notice, before receipt of notice of audit, no penalty shall be recovered from him:'</i></p> <p><i>Provided further that if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with default surcharge after issuance of show cause notice under section 11E, he shall deposit the evaded amount of tax, default surcharge under section 34, and fifty percent of the penalty payable under section 33 and thereafter, the show cause notice, shall stand abated.</i></p>
30AA	Non-Existent	<p>The proposed New section 30AA (Faceless Jurisdiction) is as under:</p>

		<p>(1) Notwithstanding anything contained in this Act, the Inland Revenue tax authorities appointed in National faceless center shall perform all or such functions, and exercise all or such powers under this Act as may be assigned to them in respect of such persons, or classes of persons, for such tax periods of a person through algorithms developed by the Board.</p> <p>(2) The jurisdiction so assigned may be exclusive or concurrent.</p> <p>(3) The Board may transfer jurisdictions in respect of persons or classes of persons, for a specific tax period, for which the jurisdiction has already been assigned under this section, from National faceless center to the officer of Inland Revenue having jurisdiction under section 30 of this Act, on the recommendation of the Chief Commissioner or on its own accord.</p> <p>(4) The Chief Commissioner appointed in the National faceless center may request the Board to direct the officer of Inland Revenue having jurisdiction under section 30 or any other Authority under this Act, as it may deem fit, to conduct physical verification including nature and size of the business, assets, investments, expenditures, and any other information or verification required by the Chief Commissioner for conducting any proceedings assigned to the National faceless center: Provided that the Board may exercise its power of allocation of verification through an algorithm-based system.</p> <p>(5) Notwithstanding anything contained in any law for the time being in force, the identity of the authority exercising jurisdiction in the National faceless center shall be kept confidential from the registered person, the authorized representative of the registered person, and any unauthorized person.</p> <p>(6) No notice, order, or other communication by an authority appointed at the National faceless center shall be called in question or set aside merely on the ground that such authority did not have jurisdiction over the taxpayer under section 30 of this Act, or lack of notified delegation of power under section 32 of this Act, or because of the fact that identity of the authority has been kept confidential from the taxpayer as per sub-section (5)."</p>
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30DDB	Non-Existent	<p>Proposed new section is as under:</p> <p>30DDDB. Directorate General (Field Compliance) Inland Revenue. <i>(1) The Directorate General (Field Compliance) Inland Revenue shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.</i> <i>(2) The Board may, by notification in the official Gazette, --</i> <i>(a) specify the functions and jurisdiction of the Directorate General and its officers; and</i> <i>(b) confer the powers of authorities specified in section 30 upon the Directorate General and its officers."</i></p>
32C	Non-Existent	<p>Proposed new Section 32C (National Faceless Center) is as under:</p> <p><i>(1) Notwithstanding anything to the contrary contained in any of the provisions of this Act, the Board may, for the purposes of proceedings under this Act in faceless manner, establish a National faceless center (hereinafter referred to as "the Centre") and specify its jurisdiction, powers, and functions.</i> <i>(2) The center shall comprise a Director General and as many officers of Inland Revenue along with support staff, as the Board may deem fit for the purposes of this section.</i> <i>(3) The Board may design algorithms for assigning any function or jurisdiction under this section to any of the authorities mentioned in subsection (2).</i> <i>(4) The center shall comprise as many wings and units as may be prescribed by the Board.</i> <i>(5) The functions of audit, assessment, and quality control in a specific case for a specific tax period shall be performed by separate officers.</i> <i>(6) All communications, among the units, or with the registered person, or an authorized representative of the registered persons, or with any other person with respect to the information or documents or evidence or any other details, as may be necessary, shall be through electronic means."</i></p>

33(1)	Existent	<p>Offence: Where any person fails to furnish a return within the due date.</p> <p>Penalty: Seeks to enhance penalty: (i) Penalty from <i>ten thousand</i> to <i>fifty thousand</i> in case a person failed to file a return within ten days of the due date. (ii) penalty from <i>two hundred rupees</i> to <i>two thousand rupees</i> per day for each day of default up to ten days from the due date.</p>
33(2)	Existent	<p>Offence: Any person who fails to issue an invoice when required under this Act.</p> <p>Penalty: Seeks to enhance penalty from <i>five thousand rupees</i> or <i>three per cent</i> to <i>twenty-five thousand rupees</i> or <i>Five per cent</i> of the amount of the tax involved, whichever is higher.</p>
33(3)	Existent	<p>Offence: Any person who unauthorizedly issues an invoice in which an amount of tax is specified.</p> <p>Penalty: Seeks to enhance penalty from <i>ten thousand rupees</i> or <i>Five per cent</i> to <i>Fifty thousand rupees</i> or <i>Ten per cent</i> of the amount of the tax involved, whichever is higher.</p>
33(5)	Existent	<p>Offence: 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.</p> <p>Penalty: Seeks to enhance penalty: (i) Penalty from <i>ten thousand rupees</i> or <i>Five per cent</i> to <i>Fifty thousand rupees</i> or <i>five per cent</i> of the amount of the tax involved, whichever is higher. (ii) Penalty 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 <i>five hundred rupees</i> to <i>five thousand rupees</i> for each day of default.</p>

33(7)	<p>Existent</p>	<p>Offence: Any person who is required to apply for registration under this Act fails to make an application for registration before making taxable supplies.</p> <p>Penalty: Seeks to enhance penalty from <i>ten thousand rupees</i> or five per cent to <i>fifty thousand rupees</i> or five per cent of the amount of tax involved, whichever is higher.</p>
33(8)	<p>Existent</p>	<p>Offence: Any person who fails to maintain records required under this Act or the rules made there under.</p> <p>Penalty: Seeks to enhance penalty from <i>ten thousand rupees</i> or five per cent to <i>fifty thousand rupees</i> or five per cent of the amount of tax involved, whichever is higher.</p>
33(25)	<p>Existing section 33(25):</p> <p>Offence: Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required under law.</p> <p>Penalty: Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of [two] months after imposition of penalty as aforesaid, his business premises 493[shall be liable to be sealed by an officer of Inland Revenue in the manner as may be prescribed.].</p>	<p>Proposed section 33(25):</p> <p>Offence: 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.</p> <p>Penalty: Such person shall be liable to pay a penalty up to one million rupees, if he continues to commit the offence <i>after one month</i> of the imposition of first penalty, he shall be liable to <i>second penalty of up to five million rupees</i>. Notwithstanding, his business premises shall be liable to be sealed <i>with or without imposition of penalty</i> by an officer of Inland Revenue in the manner as may be prescribed.</p>

33(29)	<p>Non-Existent</p>	<p>Offence: 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.</p> <p>Penalty: (i) Such person shall pay a penalty equal to the face value of the simulated or fictitious invoice or invoices. (ii) The Board shall, after issuance of a show cause notice 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.</p>
33(30)	<p>Non-Existent</p>	<p>Offence: 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.</p> <p>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.</p>

33(31)	<p>Non-Existent</p>	<p>Offence: 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.</p> <p>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.</p>
40C (2)(3)	<p>Existing Sub-section (2) and (3) of section 40C:</p> <p>(2) From such date as may be prescribed by the Board, no taxable goods shall be removed or sold by the manufacturer or any other person without affixing tax stamp, band role stickers, labels, [bar code [production monitoring, video analytics,] etc. in any such form, style and manner as may be prescribed by the Board in this behalf.]</p> <p>[(3) Such tax stamps, banderols, stickers, labels, barcodes [monitoring equipment] etc., shall be acquired by the registered person referred to in sub-section (2) from a licensee appointed by the Board for the purpose, against price approved by the Board, which shall include the cost of equipment installed by such licensee in the premises of the said registered person.]</p>	<p>Substituted Sub-section (2) and (3) of section 40C:</p> <p>(2) From such date as may be prescribed by the Board, no taxable goods shall be removed or sold by the manufacturer or any other person unless such goods are affixed with tax stamps, band role stickers or labels are monitored through a Production Monitoring System, video analytics or any other prescribed monitoring mechanism, etc. in any such form, style and manner as may be prescribed by the Board in this behalf;</p> <p>(3) Such tax stamps, banderols, stickers, labels, barcodes, production monitoring equipment etc., shall be acquired by the registered person referred to in sub-section (2) from a licensee appointed by the Board."; and</p>

40C (2)(3)	<p>Non-Existent</p>	<p>Proposed sub-section 6 of section 40C reads as follows:</p> <p><i>(6) Any taxable goods in respect of which monitoring, tracking or identification has been prescribed under this Act or rules made thereunder, which are manufactured, produced, removed, transported, supplied or otherwise dealt with or without affixing the prescribed tax stamps, banderoles, stickers, labels, barcodes or without compliance with the prescribed monitoring system, shall be liable to seizure and confiscation in the prescribed manner, along with the conveyance used for the movement, carriage or transportation of such goods.”;</i></p>
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40(F)	<p>Non-Existent</p>	<p>40F. Sale of Confiscated Goods by Auction. Previously, the disposition of confiscated Sales Tax goods lacked a clear statutory procedure, leading to delays, disputes and potential corruption in the disposal process. Proposed section reads as follows:</p> <p><i>(1) Where any goods liable to confiscation under any provision of this Act have been confiscated, these goods, without prejudice to other action specified against such goods, shall be sold by public auction.</i></p> <p><i>(2) The goods may be sold under sub-section (1) through electronic means, as prescribed by the Board.</i></p> <p><i>(3) For the purpose of sub-sections (1) and (2) of this section, the Board shall be bound by Public Procurement Regulatory Authority Rules, 2014.</i></p> <p><i>(4) The sale proceeds shall be applied to the following purposes in their respective order, namely:-</i></p> <p><i>(a) first to pay the expenses of the sale;</i></p> <p><i>(b) then to pay the sales tax, other taxes and dues including penalty and surcharge payable to the Federal Government in respect of such goods; and</i></p> <p><i>(c) the balance in respect of confiscated goods excluding those liable for outright confiscation, if any, shall be paid to the owner of the goods, 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:</i></p> <p><i>Provided that, in case wherein goods declaration has been filed, the share of importer in sale proceeds shall not exceed the declared value of the goods.”;</i></p>
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45(C)	<p>Non-Existent</p>	<p>Section 45C is the Sales Tax equivalent of ITO section 129A. By enabling first-tier Sales Tax appeals to be processed through the NFC, the amendment aims to reduce the influence of personal relationships between appellants and appeal commissioners. The 'may be processed' language (discretionary, not mandatory) allows for a phased rollout – the Board can designate specific categories of cases or specific offices for faceless appeal processing initially, then expand as the system matures. This creates a complete faceless chain for Sales Tax: assessment (s. 11H) → adjudication (s. 30AA NFC) → appeal (s. 45C) – covering all major stages of the compliance and dispute resolution cycle. Proposed section reads as follows:</p> <p><i>(1) Notwithstanding anything contained in this Act, any appeal filed under section 45B of this Act may be processed through the National faceless center as may be prescribed by the Board.</i></p> <p><i>(2) The provisions of section 45B of this Act, shall apply to faceless appeals accordingly.</i></p>
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47(AA)	<p>Non-Existent</p>	<p>New section 47AA. Algorithmic Settlement Mechanism proposed to be inserted as follows:</p> <p><i>(1) Notwithstanding anything contained in this Act, 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 order under sections 11D or 11E of the Act.</i></p> <p><i>(2) In case, the mechanism calculates and presents to the registered person a settlement offer as per the criteria provided under sub-section (3), the registered person may avail the offer as provided in sub-section (4).</i></p> <p><i>(3) The system generated settlement offer shall be calculated on the basis including but not limited to:</i></p> <p><i>(a) the stage of proceedings at which settlement is offered;</i></p> <p><i>(b) the registered person's compliance history, as maintained in FBR's data;</i></p> <p><i>(c) the nature and character of the discrepancy; and</i></p> <p><i>(d) any other basis the Board may consider relevant.</i></p> <p><i>(4) A registered person who opts to avail this mechanism shall within ten days from the date of settlement offer to accept the settlement offer on IRIS and deposit the settlement offer amount.</i></p> <p><i>(5) The issues confronted to the registered person, if any, through a notice or an audit report under this Act shall stand abated if the registered person deposits the settlement amount as provided in sub-section (4).</i></p> <p><i>(6) Payment of tax 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 period.</i></p>
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47(AAA)	<p>Non-Existent</p>	<p>New section 47AAA. Independent case scrutiny committee proposed to be inserted as follows:</p> <p><i>(1) 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, as the case may be, shall only be filed by the Commissioner Inland Revenue after the same has been approved by an independent case scrutiny committee as constituted by the Board.</i></p> <p><i>(2) The Board may constitute one or more such committees and assigned them cases or classes of cases decided by the Appellate Tribunal Inland Revenue or the High Court as the case may be.</i></p> <p><i>(3) The Committee shall comprise of the following Members as nominated by the Board</i></p> <p><i>(a) a retired judge of Supreme Court of Pakistan, the Federal Constitutional Court, or any of the High Courts of Pakistan who shall also act as Chairman of the Committee;</i></p> <p><i>(b) an Advocate having not less than fifteen years of experience in tax and commercial litigation before the High Court or Supreme Court of Pakistan, to be nominated from a panel notified by the Board from time to time; and</i></p> <p><i>(c) a senior serving or retired officer of the FBR (BS 20 or above).</i></p> <p><i>(4) The powers, functions, and procedure of the Committee along with remuneration of its Members shall be governed as prescribed.</i></p> <p><i>(5) Recommendations of the committee shall be binding upon the Commissioner Inland Revenue having jurisdiction over the case.</i></p> <p><i>(6) Notwithstanding anything contained in any other law for the time being in force, no suit, prosecution, or other legal proceedings shall lie against the Members of the Committee and the Commissioner Inland Revenue having</i></p>
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		<p><i>jurisdiction over the case, in relation to the decisions made under this section.;</i></p> <p><i>(7) The Committee constituted under this sub-section shall exercise its powers and functions with effect from the date of its constitution as notified by the Board.”;</i></p>
56B (3)	<p>Non-Existent</p>	<p>Proposed Sub-section 3 of section 56B reads as follows which proposes to empower the Board, subject to restrictions and conditions as specified, to share sector-wise data extracted from sales tax returns of registered persons with other registered persons operating within the same sector:</p> <p><i>(3) Notwithstanding anything contained in sub-section (1), the Board shall have the power to share data contained in Sales Tax returns of registered persons belonging to a sector amongst all registered persons of the same sector under strict non-disclosure agreements to create market equity and to enhance tax compliance subject to such limitations, restrictions and conditions as may be specified by the Board.”</i></p>

CUSTOMS ACT 1969

COMPARISON & COMMENTS

<u>SECTION</u>	<u>PRESENT POSITION</u>	<u>PROPOSED AMENDMENT THROUGH FINANCE BILL 2026</u>
2(sssa)	Non-Existent	Through this proposed insertion the new sub-clause added, which reads as under: <i>“(sssa) “State warehouse” means any place authorized by the Collector of Customs to store the detained, seized or confiscated goods, as the case may be.”</i>
19(5)	All the notifications issued from 1st July,2016 shall continue to be enforce till 30th June, 2026	Through this proposed amendment the validity of the different notifications expiring on 30 th June 2026 has been extended further upto 30 th June, 2027.
32(3)		Through the proposed insertion 2 nd proviso, the word “in a case” has been omitted, covering the multiple case of declarations if amount is less than Twenty Thousand, the same is read as under: <i>“Provided that if the recoverable amount is less than Twenty Thousand rupees, the Customs authorities shall not initiate the aforesaid action.”</i>
80(4)		Through the proposed insertion in proviso of sub-section (4), the word “scanned” in addition to examination and assessment shall be inserted, which reads as under: <i>“Provide further that in a case of clearance of goods declaration through green channel, the goods may be examined, scanned with the prior approval of the collector of customs”</i>

82	<p>Procedure in case of goods not cleared or warehoused or transshipped or exported or removed from the port after unloading or filing of declaration.-</p>	<p>1) Through this proposed amendment the powers of issuing penal notifications have been shifted from the Federal Government to Board,</p> <p>2) Through this proposed amendment in the first proviso, the Collector of Customs is also authorized to reduce the penalty fixed under this section in addition to waiving of penalty.</p> <p>3) Through this proposed amendment the new proviso added for authorizing any person to regulate the affairs of auction of the confiscated good, which is reads as under:</p> <p><i>“Provided also that the Board may authorize any person, to auction any auctionable goods, in the manner as notified by the Board.”</i></p>
156(1)	(Serial No. 7A)	<p>Through this proposed amendment the penalty for issuing delay and detention certificate shall be increased from “Five Hundred Thousand” to “Ten Million.”</p>
156(1)	(Serial No. 62A)	<p>Through this proposed amendment the new serial number has been inserted by imposing the penalty as well as imprisonment of any person if found in violation of abetting, damaging or tempering with any goods, which is read as under:</p>

		<p>“62 A If any person is found to be involved or abetting in the removal, substitution, damage or otherwise tempering with any goods, whether or not confiscated, at any such place as authorized by the Collector as a State Warehouse.</p> <p>such person shall be liable to a penalty not exceeding two times the value of the goods involved; and upon conviction by a Special Judge, shall further be liable to imprisonment for a period not exceeding five years, or fine or the both.”; and</p>	General
156(1)	Serial No. 83	<p>Through the proposed insertion the following amendment has been made by substituting the existing Table-I, which read as under:</p> <p><i>“If an officer of any authority who is duty bound under section 170 to deposit the impugned goods with customs, neglects so to do”</i></p>	
157(2)	Non-Existent	<p>Through this proposed insertion the explanation has been added to extend the scope of term “removal”, which is read as under:</p> <p><i>“Explanation: The word “removal” includes, and shall be deemed to have always included, every act of carrying, transporting, depositing, harbouring, keeping, concealing, retailing, or any other act involving movement of smuggled goods.”</i></p>	

170	<p>Procedure in respect of things seized on suspicion by the police-</p>	<p>Through this proposed amendment the section 170 of Act, has been restructured by empowering the other authorities in addition to police to seize or detain the goods liable to confiscation.</p> <p><i>“Notwithstanding anything contained in any other law for the time being in force, when any goods liable to confiscation under this Act 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 in writing and that authority shall be bound to deposit the impugned goods with customs for further processing under this Act.”</i></p>
179(6)	<p>Non-Existent</p>	<p>Through this proposed insertion new proviso has been added by empowering to the Board to notify the procedure for the faceless adjudication, which reads as under;</p> <p><i>“Notwithstanding anything contained in this Act, or any other law for the time being in force, the Board may 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. The virtual mode shall be in such manner as may be prescribed by the Board from time to time.”</i></p>
185A(6)	<p>Non-Existent</p>	<p>Through this proposed insertion the powers of Special Judge have been expanded to freeze the assets of the accused on the basis of reasonable ground found during the trial, which reads as under: -,</p> <p><i>“Where a Special Judge during trial of an offence punishable under this Act, is satisfied that there is any reasonable grounds 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.”;</i></p>

196J	Non-Existent	Through this proposed insertion the new authority under the name of independent case scrutiny committee has been established to weigh the cases and grant the approval for filing the appeals to the competent judicial forums, in order to reduce the frivolous litigations. Further the said Scrutiny Committee constituted by the Board, which comprises of retired judge form the judiciary, advocate having experienced of fifteen years in the relevant field and serving or retired officer not below the rank of Director or Collector of Customs.
215(d)	Non-Existent	Through this proposed insertion new sub clause has been added expending the service of summons as provided under the Civil Procedure Code, 1908(Act V of 1908).

FEDERAL EXCISE ACT 2005

COMPARISON & COMMENTS

<u>SECTION</u>	<u>PRESENT POSITION</u>	<u>PROPOSED AMENDMENT THROUGH FINANCE BILL 2026</u>
2(2A)	Non-Existent	<p>Through this proposed insertion the new sub-clause has been added which reads as under:</p> <p><i>(2A) “algorithmic settlement mechanism” means algorithmic settlement mechanism provided under section 47AA of the Sales Tax Act, 1990;</i></p>
2(9b)	Non-Existent	<p>Through this proposed insertion the new sub-clause has been added which reads as under:-</p> <p><i>(9b) “electronic invoicing system” means such electronic system or mechanism as may be prescribed or approved by the Board for issuance and recording of sales tax invoices in electronic form;”</i></p>
2(16A1)	Non-Existent	<p>Through this proposed insertion the new sub-clause has been added which reads as under:-</p> <p><i>(16A1) “National faceless centre” means the National faceless centre as defined in section 32C of the Sales Tax Act, 1990 (VII of 1990); and</i></p>
2(19b)	Non-Existent	<p>Through this proposed insertion the new sub-clause has been added which reads as under:-</p> <p><i>(19b) “Production Monitoring System” means any system or technology, used for the purposes of monitoring production and sale of goods, whether in real-time or otherwise, including such systems or technologies as may be prescribed by the Board from time to time;</i></p>

3(3B)	<p>Non-Existent</p>	<p>Through this proposed insertion the new sub-section has been added and Board has been empowered to levy additional duty in addition to existing duty on the goods listed in Table-IA of the First Schedule which reads as under:-</p> <p><i>(3B) Notwithstanding anything contained in this section, there shall be levied and collected a Special Excise Duty in addition to duty imposed under sub-section (1), on such goods as listed in Table-IA of the First Schedule to this Act at the rates specified therein:</i></p>
7A	<p>7A) National faceless centre and application of the provisions of the Sales Tax Act, 1990</p> <p>(1) Notwithstanding anything contained in this Act, the audit and assessment proceedings under the Act may be conducted in the faceless manner by the National faceless centre.</p> <p>(2) The provisions of the Sales Tax Act, 1990 (VII of 1990) relating to the establishment, assignment of jurisdiction, conduct of audit, assessment and appeals shall apply mutatis mutandis.</p> <p>(3) Notwithstanding anything contained in this Act, the Board may establish digitally operated algorithmic settlement mechanism for settlement of proceedings at any stage before any order under this Act is passed and the provisions relating to algorithmic settlement mechanism of the Sales Tax Act, 1990 (VII of 1990) shall apply mutatis mutandis.</p>	<p>Through this proposed amendment the new section has been inserted to introduce the faceless national center for audit and assessment affairs to reduce human interaction.</p>

18(1)	<p>Existent</p>	<p>Through this proposed amendment the subsection (1) has been substituted in order to meet the requirement of issuing e-invoices with unique number, which reads as under:-</p> <p><i>(1) A person registered under this Act shall issue for each transaction an invoice including an advance receipt invoice, bearing a verifiable and unique FBR invoice number at the time of clearance or sale of goods including goods chargeable to duty at the rate of zero per cent or providing or rendering services containing the following particulars in Urdu or English language, namely:</i></p> <ul style="list-style-type: none"> <i>a) name, address and registration number of the seller;</i> <i>b) name, address and registration number of the buyer;</i> <i>c) date of issue of the invoice;</i> <i>d) description and quantity of goods or as the case may be,</i> <i>e) description of services;</i> <i>f) value exclusive of excise duty;</i> <i>g) amount of excise duty; and</i> <i>h) value inclusive of excise duty;</i> <p><i>Provided that the Board may notify any person or class of persons who may be allowed to issue an advance receipt invoice under the notified system:</i></p> <p><i>Provided further that the condition of verifiable and unique FBR invoice number shall be applicable from a time as notified by the Board."</i></p>
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19(4)	Existent	<p>Through this proposed amendment the scope of offences has been expended to cover the action of the destroying damaging, erasing and manipulating the data pertaining to production manufacturing sales clearance or in any other related activities with intention to reduce avoid or reduce, any liability if excise duty, the same is reproduced below:-</p> <p><i>(4) Any person who, without the approval of the Commissioner, directly or otherwise destroys, damages, erases or otherwise manipulates data stored in or used in connection with a computer, equipment or system used for the electronic monitoring of production, manufacture, sales, clearance, stocks or any other related activity implemented under this Act and the rules made thereunder, including any production monitoring system, video analytics system or otherwise uses a computer, the purpose or effect of which is to reduce, avoid or evade any liability to duty of excise which would otherwise have been imposed by this Act, or to defeat any provisions of this Act and rules made there under shall be guilty of an offence and shall be liable to fine which may extend to seventy five thousand rupees or ten times of the duty involved whichever is higher and punishment with imprisonment which may extend to five years or both.</i></p>
26 & 27	Power to seize & Confiscation of goods subject to federal excise duty	<p>Through this amendment the powers of seizing and confiscation of goods subject to FED have been expended to cover the other goods in addition to counterfeited cigarettes and beverages which are required to be monitored through the production monitoring system, under this Act.</p>
34AA	Non-Existent	<p>Through this proposed insertion the new authority under the name of <u>Independent Case Scrutiny Committee</u> has been established to weigh the cases and grant the approval for filing the appeals to the competent judicial forums, in order to reduce the frivolous litigations. Further the said scrutiny committee constituted by the Board, which comprises of retired Judge form the judiciary, Advocate having experienced of fifteen years Senior Serving or Retired officer of FBR (BS 20 or Above)</p>

43A & 4	Issuance of duplicate of [Federal Excise] documents. & Refund of duty	Through this amendment the officer of federal excise has been substituted by the <u>Officer Inland Revenue.</u>
45A	Access to records and posting of excise staff, etc	Through this proposed amendment the section 45A of Act, has been restructured by Monitoring or Tracking by electronic or other means.
46	Audit	Through this amendment the procedure and manner of the audit proceedings have been restructured by the replacing the existing section.

OTHER CHANGES IN SCHEDULES

- First Schedule Table No. 1 & 2

1. S. No. 7A, the rate of the duty on Acetate tow, has been reduced from Forty-Four Thousand to **Ten Thousand** per kg.
2. S. No. 8a, the rate of the duty on E-liquids, has been increased form Ten Thousand to **Sixteen Thousand Five Hundred** per kg.
3. S. No. 55 & 55B, the period expiring on 30.06.2026 have been extended upto **30.06.2027**.
4. The new S. No. 55A, has been inserted relating to Electric Cars, SUVs & Pickup vehicle subjected to 0% (if not exceeding Rs. 20(M)), 30% (if exceeding Rs. 20 (M) upto 30(M)) & 40% (if exceeding Rs. 30 (M))
5. S.No. 59, the exclusion besides mineral &aerated waters has been extended to **“hydration drinks or electrolyte beverages specifically formulated to support hydration, electrolytes replenishment not containing sugar exceeding 5g/100 ml or artificial sweetener.”**
6. S. No. 63, has been replacing by covering the **“base lubricating oils (HS Code. 2710.1993)”** in addition to Lubricating oils.
7. S. No. 65 and entries relating thereto have been added to impose the excise duty of Rs. 80 per liter on Petroleum top Naphtha (HS Code. 2710.1942), White Spirit/Mineral Turpentine Oil (MTT) (HS Code. 2710.1240) & Solvent Oil (HS Code. 2710.1250).

8. New Table 1A, inserted relating to Import Car, SUVs & other Motor Vehicle including Electric vehicles till **30.06.2027** falling under **HS Code. 87.03, 8704.2190 & 8707.3190**, subject to 40% ad val and 41% ad val if cylinder capacity exceeding 2000cc and exceeding 3000cc respectively.
9. Table-II S.No.03 clause b, column-ii, the rate of duty on the club business and first class air tickets issued on or after 1st July, 2026 has been reduced respectively.

Second Schedule

1. New S.No.5 has been added defining the goods (Petroleum top Naphtha, White Spirit/Mineral Turpentine Oil (MTT) and Solvent Oil) on which the duty is collectable under the Sales Tax mode with right of adjustment of input tax.

Third Schedule

1. The new S.No.28 has been added relating to import of bullet proof vehicles by the Federal Government and Provincial Government subject to certain conditions.

AMENDMENTS IN FINANCE ACT, 2022 RELATING TO CAPITAL VALUE TAX

COMPARISON & COMMENTS

<u>SECTION</u>	<u>PRESENT POSITION</u>	<u>PROPOSED AMENDMENT THROUGH FINANCE BILL 2026</u>
	<i>Capital Value Tax (CVT) on foreign assets introduced through Finance Act, 2022 is proposed to be omitted. Accordingly, the following changes are made in respective provisions.</i>	
8(2)(ab)(ac)(b)	<p>(ab) farmhouses as defined in clause (b) of sub-section (4) of section 7E of the Income Tax Ordinance, 2001 (XLIX of 2001) within the territorial limits of the Islamabad Capital Territory; and</p> <p>(ac) residential houses within the territorial limits of the Islamabad Capital Territory;</p> <p>(b) foreign assets of a resident individual where the value of such assets on the last day of the tax year in aggregate exceeds Rupees one hundred million; and</p>	<p>The word 'and' is proposed to be omitted from sub-section (ab) of section 8, the word 'and' is proposed to be included in sub-section (ac) of section 8 and sub-section (b) is proposed to be omitted.</p> <p><i>“(ab) farmhouses as defined in clause (b) of sub-section (4) of section 7E of the Income Tax Ordinance, 2001 (XLIX of 2001) within the territorial limits of the Islamabad Capital Territory;</i></p> <p><i>(ac) residential houses within the territorial limits of the Islamabad Capital Territory; and</i></p> <p><i>(b) foreign assets of a resident individual where the value of such assets on the last day of the tax year in aggregate exceeds Rupees one hundred million; and</i></p>

<p style="text-align: center;">8(3)(b)/(c)</p>	<p>(b) the value of the motor vehicle mentioned in clause (a) above, shall be reduced by ten percent for each year from the end of financial year in which the motor vehicle is acquired: Provided that the value shall be treated as zero after five years from the end of financial year in which the motor vehicle is imported, sold by local manufactured or auctioned;</p> <p>(c) in case of foreign assets mentioned in clause (b) of subsection (2) above, the value shall be -</p> <p>(i) the total cost of the foreign assets on the last day of the tax year, in relevant foreign currency converted into Rupees as per exchange rates notified by State Bank of Pakistan for the said day;</p> <p>(ii) where the cost of foreign asset as provided in paragraph (i) cannot be determined with reasonable accuracy, the fair market value of the asset on the last day of the tax year, in relevant foreign currency converted into Rupees as per exchange rates notified by State Bank of Pakistan for the said day; and</p>	<p>The word 'and' is proposed to be included in sub-section (3)(b) of section 8 and sub-section (3)(c) is proposed to be omitted.</p> <p><i>“(b) the value of the motor vehicle mentioned in clause (a) above, shall be reduced by ten percent for each year from the end of financial year in which the motor vehicle is acquired: Provided that the value shall be treated as zero after five years from the end of financial year in which the motor vehicle is imported, sold by local manufactured or auctioned; and</i></p> <p><i>(c) in case of foreign assets mentioned in clause (b) of subsection (2) above, the value shall be -</i></p> <p><i>(i) the total cost of the foreign assets on the last day of the tax year, in relevant foreign currency converted into Rupees as per exchange rates notified by State Bank of Pakistan for the said day;</i></p> <p><i>(ii) where the cost of foreign asset as provided in paragraph (i) cannot be determined with reasonable accuracy, the fair market value of the asset on the last day of the tax year, in relevant foreign currency converted into Rupees as per exchange rates notified by State Bank of Pakistan for the said day; and”</i></p>
<p style="text-align: center;">8(4)(g)</p>	<p>(g) in case of assets mentioned in clauses (ab), (ac) and (b) of sub-section (2), the person holding the assets shall be liable to pay tax at the time the income tax return for the tax year is due in the manner prescribed; and</p>	<p>The expression (ab) and (ac) shall be substituted</p> <p><i>(g) in case of assets mentioned in (ab) and (ac) of sub-section (2), the person holding the assets shall be liable to pay tax at the time the income tax return for the tax year is due in the manner prescribed; and</i></p>

8(13)(c)	(c) "foreign assets" means any movable or immovable assets held outside Pakistan, whether directly or indirectly, and includes but not limited to real estate, mortgaged assets, stock and shares, bank accounts, bullion, cash, jewels, jewelry, paintings, accounts and loan receivables, assets held in dependents' name, beneficial ownership or beneficial interests or contribution in offshore entities or trusts;	Definition of foreign assets is proposed to be omitted									
First Schedule	<table border="1"> <thead> <tr> <th data-bbox="282 584 384 618">S. No.</th> <th data-bbox="392 584 651 618">Assets Description</th> <th data-bbox="659 584 807 618">Rate</th> </tr> <tr> <th data-bbox="282 622 384 656">(1)</th> <th data-bbox="392 622 651 656">(2)</th> <th data-bbox="659 622 807 656">(3)</th> </tr> </thead> <tbody> <tr> <td data-bbox="282 660 384 750">4</td> <td data-bbox="392 660 651 750">Assets mentioned in clause (b) of sub-section (1)</td> <td data-bbox="659 660 807 750">1% of the value</td> </tr> </tbody> </table>	S. No.	Assets Description	Rate	(1)	(2)	(3)	4	Assets mentioned in clause (b) of sub-section (1)	1% of the value	Entry at serial no. 4 relating to CVT on foreign assets is proposed to be omitted
S. No.	Assets Description	Rate									
(1)	(2)	(3)									
4	Assets mentioned in clause (b) of sub-section (1)	1% of the value									

RHZA

REANDA HAROON ZAKARIA
ASSOCIATES

Connect With Us.



Phone

+92-21-35674741-44



E-Mail

info@hza.com.pk | it@hzco.com.pk



Principal Office

M1 - M4, Mezzanine Floor,
Progressive Plaza, Beaumont Road,
Karachi | 75530
Pakistan.

www.hza.com.pk

