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An Insight on Economic Survey 2024-25 and Finance Bill 2025

Institute of Cost and Management Accountants of Pakistan

PREAMBLE

On June 9, 2025, the Finance Minister, Mr. Muhammad Aurangzeb, officially unveiled the Pakistan Economic Survey 2024–25, presenting key economic indicators and evaluating the performance of various sectors during FY 2024–25.

The following day, on June 10, 2025, the Finance Minister presented the Federal Budget 2025–26 in the National Assembly, outlining a total outlay of Rs. 17.6 trillion. This budget is widely viewed as being aligned with the conditions set by the IMF, aimed at securing a new, potentially larger and longer-term bailout package.

ICMA International is pleased to present an Insight on Economic Survey 2024–25 and Finance Bill 2025, a comprehensive resource designed for its members, students, and the broader stakeholder community. This publication draws upon the Economic Survey, the Budget Speech, and the Finance Bill 2025 issued by the Ministry of Finance, Government of Pakistan.

The insights contained in this document represent the authors' interpretations, based on their understanding and experience. These cannot be treated as a substitute for relevant laws and must not be used as the basis for any decision.

11th June 2025

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From the Desk of President

Ghulam Mustafa Qazi, FCMA
President, ICMA International

I would like to congratulate the Federal Government on presenting a reasonable Budget for FY 2025–26, especially in the backdrop of improving economic indicators such as a stable exchange rate, declining inflation, and a narrowing current account deficit. The budget reflects a careful balance between fiscal consolidation and the need to support growth, within the limitations posed by an IMF-supported program.

The total outlay of Rs. 17.57 trillion, with a significant increase in revenue targets, signals the government's intent to broaden the tax base and enhance documentation. The budget sets an ambitious FBR tax collection target of Rs. 14.13 trillion, which will require sustained efforts in enforcement, compliance, and digital transformation.

The budget appears aligned with IMF-driven stabilization goals, focusing heavily on revenue generation rather than bold and long-term structural reforms. Key areas such as the taxation of the wholesale, retail, and agriculture sectors remain largely untouched. There is still a strong need for exploring untapped areas and to take bold steps in taxing the untaxed and under-taxed segments of the society.

The salaried individuals—who already shoulder a significant portion of the tax burden—had expected more from this budget. While slight relief has been offered, it is essential for the government to consider reducing income tax rates and simplifying tax slabs to offer meaningful support to this compliant segment.

A notable initiative is the proposed simplification of the tax return system for salaried individuals and small business owners. The elimination of the filer/non-filer distinction and introduction of a new income tax classification system are also aimed at encouraging compliance.

The education sector continues to be overlooked in budget allocations, despite facing serious challenges such as over 26 million out-of-school children, poor-quality public education, and inadequate infrastructure. In FY2024–25, the government allocated Rs 66.31 billion to the Higher Education Commission (HEC) out of a total education budget of Rs 93 billion. However, in FY2025–26, this has been reduced to just Rs 39.5 billion under the PSDP. This decline is concerning at a time when increased investment in education is essential. The government must prioritize the sector—particularly higher and professional educational institutions—to develop a skilled, future-ready workforce and drive sustainable national progress.

In summary, while the budget includes positive steps such as tax simplification, digital transformation and minor reliefs, it falls short of addressing deeper structural issues and broadening tax base. The absence of substantial reforms, especially in sectors with untapped potential, and underfunding of critical areas like higher education, remain areas of concern.

ICMA Pakistan reaffirms its commitment to supporting fiscal reforms, transparency, and capacity building in public finance management. We hope that the government will continue to engage with professional bodies, academia, and stakeholders for the successful implementation of budgetary measures and future policy development.

In the end, I would like to extend my heartfelt gratitude to Mr. Azeem Hussain Siddiqui, FCMA, Member National Council ICMA; Mr. Mazhar Saleem Shah, FCMA, Vice Chairman of Karachi Branch Council (KBC); Mr. Muhammad Asif, FCMA; and Mr. Asif Riffat for their valuable contributions to the compilation of this document.

Pakistan Economic Survey 2024-25

Key Highlights

Growth and Investment

[Period: FY2025]

- **Real GDP Growth:** 2.68% in FY2025
- **GDP (at current market price):** Rs. 114,692 billion [2024: Rs. 105,143 billion]; 9.1 % growth
- **Per capita income:** US $1,824 [2024: US $1,662]
  Reasons: (1) Improved economic activity (2) Stable exchange rate.
- **Investment to GDP ratio:** 13.8 % [2024: 13.1 %]
  Reasons: Better public and private capital formation.
- **Agriculture sector growth:** 0.56%
  Reasons: Decline in major crop production.
- **Industrial sector growth:** 4.77%
- **Services sector growth:** 2.91%

Agriculture Sector

[Period: FY2025]

Agriculture Sector growth: 0.56% [2024: 6.25%]

Crops Production in FY2025

- **Cotton:** 7.08 million bales; (-30.7%) decrease from Last year
- **Rice:** 9.72 million tonnes; (-1.4%) decrease from Last year
- **Sugarcane:** 84.24 million tonnes; (-3.9%) decrease from Last year
- **Wheat:** 28.98 million tonnes; (-8.9%) decrease from Last year
- **Maize:** (-15.4%) decrease from Last year
- **Other crops:** 4.78% growth witnessed

Livestock growth: 4.72% [2024: 4.38%] – Share in GDP: 14.97%

Forestry Sector growth: 3.03% [2024: 3.05%] – Share in GDP: 0.54%

Fisheries Sector growth: 1.42% [2024: 0.81%] – Share in GDP: 0.31%

Manufacturing Sector

[Period: FY2025]

Manufacturing Sector Growth: 1.3 % increase during FY2025 [2024: 3.0%]
LSM Sector Growth: (-1.5%) decline during Jul-Mar FY2025.

Sectors-Wise Growth:

- **Textile:** 2.2%
- **Apparel:** 7.6%
- **Coke & Petroleum Products:** 4.5%
- **Pharmaceuticals:** 2.3%
- **Automobiles:** 40%
- **Food:** (-0.5%)
- **Chemicals:** (-5.5%)

Mining and Quarrying (M&Q) Sector

[Period: July to March FY2025]

M&Q Sector growth: (-4.9%) contracted during FY2025 [2024 decline: 4.0%]

Minerals with Positive growth:

- **Sulphur:** 341.9%
- **Dolomite:** 43.3%
- **Limestone:** 34.1%
- **Marble:** 20.2%
- **Ocher:** 70.3%

Minerals with Negative growth:

- **Crude Oil:** (-14.8%)
- **Natural Gas:** (-6.8%)
- **Coal:** (-5.7%)
- **Iron Ore:** (-20.2%)

Fiscal Development

[Period: July to March FY2025]

Fiscal Deficit: 2.6% of GDP [2024: 3.7% of GDP]

Primary Balance: Surplus of 3.0% of GDP [2024: 1.5% surplus of GDP]

Total Revenues: Rs 13,367.0 billion [2024: Rs 9,780.4 billion]; 36.7% growth

Total Tax Collection: Rs 9,137.3 billion [2024: Rs 7,262.5 billion]; 25.8% growth

FBR Net Provisional Tax Collection: Rs. 10,233.9 billion [2024: Rs. 8,125.7 billion]; 25.9% growth

Non-Tax Revenues: Rs 4,229.7 billion [2024: Rs. 2,517.9 billion]; 68.0% growth

Total Expenditures: Rs 16,337.0 billion [2024: Rs 13,682.8 billion]; 19.4% growth

Current Expenditures: Rs 14,588.2 billion [2024: Rs 12,333.3 billion]; 18.3% growth

Federal PSDP Expenditures: Rs. 413.6 billion [2024: Rs. 321.6 billion]; 28.6% growth

Money & Credit

[Period: July to March FY2025]

Broad Money (M2): Increased by Rs. 1,604.1 billion [2024: Rs 2,219 billion increased]

Net Foreign Assets (NFA): Increased by Rs. 1,162.7 billion [2024: Rs. 651.2 billion increased]

Net Domestic Assets (NDA): Increased by Rs. 441.4 billion [2024: Rs. 1,567.8 billion increased]

Currency in Circulation (CiC): Increased by Rs 1,108 billion [2024: Decline by Rs. 498 billion]

Consumer Financing: Net increase of Rs. 71.4 billion [2024: Net retirement by Rs. 52.6 billion]

Bank Deposits: Decline to Rs. 490 billion [2024: stood at Rs. 2,706 billion]

Private Sector Credit: Rs 767.6 billion [2024: stood at Rs. 265.2 billion]

Capital Markets and Corporate Sector

[Period: July to March FY2025]

KSE-100 index: 50.2% growth from 78,445 points to 117,807 points.

Market capitalization: Rs 10,375 billion on 30th June 2024 [Rs. 14,374 billion on 31st March 2025]; 38.5% growth

Number of Listed companies at PSX: 527 on 31st March 2025

New Companies Registrations with SECP: 26,104 during Jul-Mar FY2025, majority were registered in Information Technology (4,014), Trading (3,457), and Services (3,137) sectors

Inflation

[Period: July-April FY2025]

Headline CPI National Inflation: 4.7 %, significantly lower than 26.0% in the same period last year

Urban Food Inflation: 1.1 % against 26.8% same period last year

Urban Non-Food Inflation: 9.1% against 25.9% same period last year

Rural Food Inflation: Decline by 1.5% against the rise of 26.5% same period last year

Rural Non-Food Inflation: Increase by 8.3% against the rise of 24.5% same period last year

Wholesale Price Index (WPI): Increase by 2.2% against 22.4% same period last year

Sensitive Price Index (SPI): 4.9% against 30.2% same period last year

Trade and Payments

[Period: July-April FY2025]

Trade Deficit: US$ 21.3 billion [2024: US$ 18.0 billion]

Exports: US$ 27.3 billion; 6.8% growth

Imports: US$ 48.6 billion; 11.8% increase

Current Account Surplus: US$ 1.9 billion [2024: Deficit of US$ 1.3 billion]

Services Account Deficit: US$ 2.5 billion [2024: US$ 2.4 billion]; 4.17% increase

Primary Income Account Deficit: US$ 7.1 billion [2024: US$ 6.3 billion]; 12.7% increase

Workers' Remittances: US$ 31.2 billion [2024: US$ 23.9 billion]; 31.0% growth

Net FDI Inflows: US$ 1,785 million [2024: US$ 1,835 million]

FX Reserves: US$ 16.64 billion as of 27th May 2025

PKR Stablity: Exchange rate stability at Rs. 278.72/US$

Public Debt

[Period: End-March FY2025]

Total Public Debts: Rs. 76,007 billion

Domestic Debt: Rs. 51,518 billion

External Public Debt: Rs. 24,489 billion or US$ 87 billion

Interest expense on Public Debt: Rs 6,439 billion

Comprising:
- **Domestic Debt:** Rs 5,783 billion
- **External Debt:** Rs. 656 billion

Total External Budgetary Inflows: US$ 5.1 billion

Comprising:
- **Multilateral Sources:** US$ 2.8 billion
- **Bilateral Partners:** US$ 0.3 billion
- **Naya Pakistan Certificates:** US$ 1.5 billion
- **Commercial Banks:** US$ 0.56 billion

IMF Extended Fund Facility for Government: US$ 1.03 billion

Education

[According to the 2023 Population and Housing Census]

Public Expenditure on Education: 0.8% of GDP during FY 2025.

Literacy rate: The rate is 60.65 % in FY2023

Male Literacy Rate: 68%

Female Literacy Rate: 52.8%

Transgender Individuals: 40.15%

Urban Literacy Rate: 74.09%

Rural Literacy Rate: 51.56%

Provincial Literacy Rate:

Punjab: 66.25%

Sindh: 57.54%

Khyber Pakhtunkhwa: 51.09%

Balochistan: 42.01%

Out of School Children

[According to the Pakistan Education Statistics FY 2022-23]

Out of School Children (OOSC): 38%

OOSC Male: 35%

OOSC Female: 42%

OOSC Punjab: 32%

OOSC KP: 30%

OOSC Sindh: 47%

OOSC Balochistan: 69%

Health and Nutrition

[Period: FY2024-25]

Public Health Expenditures: Rs. 924.9 billion FY2024 (0.9 % of GDP) against Rs 843.2 billion last year

Health Sector PSDP Allocation: Rs 103.5 billion FY2025

No. of Hospitals: 1,696 FY2024

Basic Health Units: 5,434 FY2024

Infant Mortality Rate: 50.1% (Per 1,000 Births) FY2023

Life Expectancy: 67.6% FY2023

No. of Health Manpower

[Period: 2023-24]

Registered Doctors: 319,572

Dentists: 36,032

Nurses: 127,855

Midwives: 46,110

Lady Health Workers: 24,022

Population Labour Force and Employment

[Period: According to the 7th National Population and Housing Census 2023]

Population growth: Grew 2.55% to 241.5 million

Population: 241.50 million

Population growth: 2.55%

Male Population: 124.32 million (51.5% share)

Female Population: 117.15 million (48.5% share)

Young Population: 26% (15-29 Years Aged)

Working-age group: 53.8% (15-59 Years of Aged)

Province-Wise Population

[Period: FY2023]

Punjab: 127.68 million

Sindh: 55.69 million

Khyber Pakhtunkhwa: 40.85 million

Balochistan: 14.89 million

Islamabad: 2.36 million

Labour Force and Employment

[Period: FY2020-21]

Total Labour Force: 71.76 million workers

Employed Labour Force: 67.25 million workers

Unemployed Rate: 4.51 million workers, 6.3% rate.

Workers Regd. For Employment Abroad: 727,381 FY2024

Transport and Communication

[Period: July-Mar FY2024-25]

PSDP Allocation for NHA Projects: Rs 161.26 billion

NHA's Network Length: 14,480 Km

Pakistan Railways Passenger Traffic: 30.98 million

Pak Railways Freight Traffic: 5,816 tonne Km million

Cargo Handling at Ports: 74,572 million tonne

Pakistan Post's Network: 9,984 offices

PBC's Broadcasting Network: 80 Units

Energy

[Period: July-Mar FY2025]

Total Installed Capacity: 46,605 MW

- **Hydel:** 24.4%
- **Thermal:** 55.7%
- **Nuclear:** 7.8%
- **Renewables:** 12.5%

Total Electricity Generation: 90,145 GWh

- **Hydel:** 30.4%
- **Thermal:** 46.3%
- **Nuclear:** 19.1%
- **Renewables:** 4.2%

Total Electricity Consumption: 80,111 GWh

- **Household:** 49.6%
- **Industrial:** 26.3%
- **Agriculture:** 5.7%
- **Commercial:** 8.6%

Total Consumption of Gas: 3,143 MMCFD

Total Consumption of Petroleum Products: 13.17 Million tonnes

Total Consumption of Coal: 16.2 Metric tonnes

Total Imports of Petroleum Products: 12,532.2 thousand tonnes

IT & Telecom

[Period: July-Mar FY2025]

Telecom Revenues: Rs. 803 billion

Trade Surplus of IT and ITeS: US$ 2,429 billion; 21.6% growth

ICT export: US$ 2.83 billion; 23.7% growth

Freelancers' Remittances: US$ 400 million

Broad Band Subscribers: 147.2 million Users

Total Telecom Subscribers: 199.9 million users

Social Protection

[Period: July-Mar FY2025]

BISP Allocations: Rs. 598.72 billion

BISP Beneficiaries: 9.87 million

BISP Disbursement: Rs. 385.64 billion

Pakistan Poverty Alleviation Fund (PPAF):

PPAF Loan Disbursement: Rs 2.19 billion

Punjab: 79.36%

Sindh: 12.35%

Khyber Pakhtunkhwa: 5.54%

Balochistan: 1.53%

Azad Jammu & Kashmir: 0.69%

Gilgit-Baltistan: 0.52%

Micro Finance (Active Borrower): 12.37 million

Other Social Support Initiatives:

Zakat Disbursed: Rs. 12.21 billion

EOBI Collection: Rs. 56.84 billion

Pakistan Bait-ul-Mal (PBM) disbursed: Rs. 6.51 billion

The Employees' Old-Age Benefits Institution (EOBI): Rs. 56.84 billion

The Workers' Welfare Fund (WWF) disbursed: Rs. 5.46 billion

Expenditure under the Poverty Reduction Strategy Paper (PRSP): Rs. 4.26 trillion

Climate Change

[Period: FY2024]

Average Temperature: 23.52°C

Rainfall levels: 31% above the historical average.

IMF RSF secured: US$ 1.4 billion

The Recharge Pakistan Project Funding: US$ 77 million

Pakistan's first Green Sukuk Issued: Rs. 30 billion

Climate Budget Adopted as Governance System: Utilization on over 5,000 federal government cost centers and 40 minor sub-classifications

Salient Features of Federal Budget 2025-26

Estimated Targets in Budget for FY 2025-26

1. **Total Budget Outlay:** Rs. 17.6 trillion
2. **GDP Growth**: 4.2%
3. **Tax to GDP:** 10.9%
4. **Inflation:** 7.5%
5. **Tax collection:** Rs. 14.131 trillion
6. **Non-Tax Revenue:** Rs. 5.147 trillion
7. **Total Revenue:** Rs. 19.278 trillion
8. **Net Revenue:** Rs. 11.072 trillion
9. **Total Federal Expenditure:** Rs. 17.573 trillion
10. **Current Expenditure:** Rs. 16.286 trillion
11. **Budget Deficit:** 3.9% of GDP
12. **Primary Surplus Projected:** 2.4% of GDP
13. **Privatization Proceeds:** Rs. 86.55 billion

Budget Allocations for FY 2025-26

1. **Defence:** Rs. 2.55 trillion
2. **Federal PSDP:** Rs. 1 trillion
3. **Provincial ADPs:** Rs. 2.87 trillion
4. **Benazir Income Support Program (BISP):** Rs. 716 billion

Budget at a Glance

(Rs. Billion)

RESOURCES	
Tax Revenue (FBR)	14,131
Non-Tax Revenue	5,147
Gross Revenue	**19,278**
Less: Share of Provinces	8,206
Net Revenue	**11,072**
Non Bank Borrowings	2,874
Bank Borrowings	3,435
Net External Receipts	106
Privatization Proceeds	87
TOTAL	**17,573**

(Rs. Billion)

EXPENDITURE	
Interest Payments	8,207
Pension	1,055
Defence Affairs	2,550
Grants and Transfers	1,928
Subsidies	1,186
Running of Civil Govt.	971
Provision for Emergency	389
Current	**16,286**
Federal PSDP	1,000
Net Lending	287
Development	**1,287**
TOTAL	**17,573**

Relief Measures in Budget 2025-26

Government Employees

- 10% increase in salaries (Grade 1 to 22).
- 30% Disparity Reduction Allowance for eligible employees.
- 7% increase in pensions for retired employees.
- Special persons' conveyance allowance increased from Rs. 4,000 to Rs. 6,000 per month.

Salaried Individuals

- No tax on income up to Rs 600,000
- 1% tax on income from Rs 600,001 to Rs 1.2 million
- 11% tax on income from Rs 1.2 million to Rs 2.2 million
- 23% tax on income from Rs 2.2 million to Rs 3.2 million
- 30% tax on income from Rs 3.2 million to Rs 4.1 million
- 35% tax on income above Rs 4.1 million

Corporate Sector

- Super tax reduced by 0.5% for companies earning Rs. 200–500 million annually.

Armed Forces

- Special Relief Allowance proposed for Officers, JCOs, and Soldiers.
- Funded from the Defence Budget 2025–26.

Restrictions on Certain Persons in Budget 2025–26

- Advance tax on cash withdrawals by non-filers increased from 0.6% to 1%.
- Ineligible persons barred from purchasing vehicles and immovable property unless they file tax returns and submit wealth statements.
- Investments in securities and mutual funds restricted to filers only.
- Prohibition from opening bank accounts.
- Only tax return filers can engage in formal financial transactions.
- Government intends to eliminate the filer vs. non-filer distinction in financial dealings.

Significant Amendments through Finance Bill 2025

Significant Amendments in the Income Tax Ordinance, 2001

Exclusion of specified "recreational clubs" from the definition of "non-profit organization" (NPO) and inclusion of income of "recreational clubs" in "income from business" - [Section 2(36) / Section 18]

The Finance Bill 2025 seeks to exclude the "recreational clubs" formed with membership fee exceeding Rs. 1,000,000/- for any class of new members from the definition of "non-profit organization."

The Bill also seeks to include incomes of "recreational clubs" in "income of trade, professional or similar association from the sale of goods or provision of services to its members", hence chargeable to tax under the head "Income from Business".

Surcharge for salaried individual reduced - [Section 4AB]

The Finance Bill 2025 seeks to reduce the surcharge from 10% to 9% for "salaried individuals" where taxable income exceeds Rs. 10,000,000/- . This change will be effective from Tax Year 2026.

Tax on payments for digital transactions in e-commerce platforms - [Section 6A / First Schedule Part I Division IVA]

The Finance Bill 2025 proposes the rate of tax to be deducted under section 6A of the Ordinance on payment for digitally ordered goods or digitally delivered services through e-commerce platforms including websites, in case of payment through –

(i) Digital means or banking channels by payment intermediary:

S. No.	Description	Tax Rates
1.	Where the amount paid does not exceed Rs. 10,000	1% of the gross amount paid
2.	Where the amount paid exceeds Rs. 10,000 but does not exceed Rs. 20,000	2% of the gross amount paid
3.	Where the amount paid exceeds Rs. 20,000	0.25% of the gross amount paid

(ii) Cash on delivery by courier service:

S. No.	Description	Tax Rates
1.	On supply of electronic and electrical goods	0.25% of the gross amount paid
2.	On supply of clothing articles, apparels, garments etc.	2% of the gross amount paid
3.	On supply of goods other than mentioned in S. No. 1 and 2 above	1% of the gross amount paid

Minimum threshold defined for fair market annual rent of commercial properties - [Section 15]

The Finance Bill 2025 seeks to define the minimum rent threshold for commercial properties at 4% of the fair market value per annum as per Section 68 of the Income Tax Ordinance, 2001. However, this minimum value of fair market rent shall not be applicable if an evidence proving otherwise is provided by the taxpayer.

Deductions not to be allowed from "income from business" in case of purchase from unregistered persons and collection against sales through non-banking channel - [Section 21]

The Finance Bill 2025 proposes to replace subsection(q) to disallow purchase from persons not having NTN to the extent of 10%, excluding direct purchase of agricultural produce from the growers. The Bill further seeks to give power to FBR to exempt persons or classes of persons from this condition. Before this proposed change, any expenditure attributable to sales made to persons required to be registered but not registered under the Sales Tax Act, 1990 by an industrial undertaking was disallowable proportionately.

The Finance Bill 2025 further proposes to add sub-section (s) to disallow 50% of the expenditure, in case if collection against sales is made in cash against a single invoiced sale transaction exceeding Rs. 200,000/-.

Disallowance of depreciation relevant to addition to depriciable assets without deduction of tax - [Section 22]

The Finance Bill 2025 seeks to disallow depreciation expense relevant to the addition to depriciable assets, where the amount is paid without deduction of tax u/s 152 or 153 of the Ordinance.

Useful life of intangible assets - [Section 24]

The Finance Bill 2025 seeks to reduce the useful life from 25 years to 15 years for intangible assets that does not have an ascertainable useful life. The proposed change will result in increase in amortization cost for such intangible assets where useful life is not ascertainable.

Set off of "loss from business" against "income from property" withdrawn - [Section 56]

Before the Finance Bill 2025, loss for any tax year under any head of income was entitled for set off against the person's income chargeable to tax under any other head of income except salary. However, the Finance Bill 2025 now proposes to withdraw set off of "income from business" against "income from property".

Exclusion of non-corporate entities from the benefit of group relief - [Section 59B]

The Finance Bill 2025 proposes to exclude a company or companies within the group whose income from business is chargeable to tax under any provisions of this Ordinance other than Division II of Part I of the First Schedule to the Ordinance to avail group relief.

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

The Finance Bill 2025 proposes to introduce a tax credit for individuals in respect of any profit on debt or share in rent or share in appreciation for value of house paid by the person in the year on a loan from specified / regulated entities, where the person utilizes the loan for the construction (including land) or acquisition of one personal house having land area up to 2,500 square feet or flat having total area up to 2,000 square feet. The Finance Bill 2025 further propose that:

(a) the tax credit under this section shall be availed upto maximum of 30% of the person's taxable income for the year; and

(b) on claiming tax credit under this section, the individual shall not be entitled to claim tax credit for another house or flat under this section during any of the subsequent 15 tax years.

Scope of supply for persons engaged in coal mining projects in Sindh has been enhanced - [Section 65F]

The persons engaged in coal mining projects in Sindh were eligible for 100% tax credit if they supply coal exclusively to power generation projects. Now, the Finance Bill 2025 proposes to enhance the scope of supply for such person, who can now supply coal to any sector of the economy paying income tax on income from such supply and simultaneously availing 100% tax credit on supply to power generation projects.

Tax credit for charitable organizations - [Section 100C / Clause (66) of Part I of Second Schedule]

The Finance Bill 2025 seeks to merge Table (I) and Table (II) of clause (66) of Part I of Second Schedule to the Ordinance, listing "entities granted complete exemption on any income" and "entities granted exemption subject to Section 100C provisions" respectively. The proposed change now requires all entities to get approval as Non-Profit Organization to avail 100% tax credit u/s 100C of the Ordinance.

Period of carry forward for adjustment of minimum tax on turnover reduced - [Section 113]

The Finance Bill 2025 proposes to reduce the period of carry forward for adjustment of minimum tax on turnover from 3 years to 2 years. As per the proposed amendment, after 2 years the remaining unadjusted amount of minimum tax paid, if any, will be lapsed.

Restriction on certain economic transactions by "ineligible persons" - [Section 114C]

The Finance Bill 2025 seeks to introduce the concept of "eligible person" and "ineligible person" and to give power to FBR to impose restrictions on facilitator (i.e. motor registration authority, property registration or transfer authority, banker etc.) not to provide any of the following economic activities / facilities to an "ineligible person":

(a) booking, purchase or registration of a motor vehicle

(b) registering, recording or attesting transfer of any immovable property

(c) purchase, opening an account or clearing purchase securities including debt securities or units of mutual funds of securities, mutual funds

(d) opening or maintaining an already opened current or a saving bank or investor portfolio securities account, except Asaan account and Pensioner Account

(e) cash withdrawal from any of the bank accounts

The Finance Bill 2025 proposes to define an "eligible person"; a person who has filed –

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

(ii) sources of investment and expenditure statement declaring sufficient resources and furnishing explanation thereof for a particular purchase or investment transaction covered in clauses (a), (b) and (c) as mentioned above.

Provided that in case of an individual, the eligible person shall include his immediate family members, which shall be parents, spouse and dependent children;

The Bill proposes to implement all or any of the above suggested changes through a notification in the official gazette by FBR.

Amendment of assessment - [Section 122(9)]

The Finance Bill 2025 proposes to delete the limitation of time period of 180 days and further extended period of 270 days provided for completing proceedings for amendment of assessment. The higher judiciary has declared the amendment of assessments time barred due to this limitation period. However, legislature through this proposed amendment intends to reverse such rulings of the higher judiciary. This change may keep the amendment of assessment proceedings pending for as long as to 6 years.

Proceeding for recovery on confirmed or modified orders by the appellate forums - [Section 124]

The Finance Bill 2025 proposes to do away with the need of "appeal effect order" in cases where the tax payable has been confirmed at the appellate forum and the Commissioner shall proceed to effect recovery.

The Bill further proposes that where the matters have been partly set aside or remanded and confirmed or modified on some other issues by the appellate forum, the Commissioner shall issue an appeal effect order on the prescribed form determining the tax payable on the basis of the issues that have been confirmed or modified and shall proceed to effect recovery.

Withdrawal of pecuniary jurisdiction in appeals and changes in appeal procedures - [Section 126A / Section 127 / Section 131 / Section 133]

Through the Tax Laws (Amendment) Act 2024, FBR introduced new concept of filing direct appeal to Tribunal with certain monetary threshold. After some time of implementation apparently, FBR has realized that this is not serving the purpose for which it was introduced. Hence, the Finance Bill 2025 proposes to withdraw this section.

The Finance Bill 2025 further proposes to introduce option under section 127 of the Ordinance to either file appeal before Commissioner Inland Revenue (Appeals) [CIR-A] directly or may surrender the right of appeal before CIR-A and avail the next statutory appellate forum by lodging the appeal directly before the Appellate Tribunal Inland Revenue. Corresponding amendments are also proposed in Section 131 and Section 133 of the Ordinance.

In addition to above, Finance Bill 2025 also proposes to increase in time period for filing appeal before High Court from 30 to 60 days and to delete the phrase "or a mixed question of law and facts in section 133 of the Ordinance". Hence, High Court shall now only consider the question of law which arises out of the order appealed against.

Alternate Dispute Resolution - [Section 134A]

The Finance Bill 2025 proposes that, in case of State Owned Organization (SOE), if the first appointed Committee fails to decide the matter within a period of 60 days, FBR shall reappoint a Committee. The Bill further proposes that if the re-appointed Committee also fails to decide the matter within a further period of 60 days, then FBR shall dissolve the Committee by an order in writing u/s 134A(5) of the Ordinance and the matter shall be decided by the court of law or the appellate authority where the dispute was pending under litigation.

Recovery of tax from taxpayer or persons holding money on behalf of a taxpayer - [Section 138 / Section 140]

In case the issue giving rise to the tax payable is decided by a High Court or Supreme Court of Pakistan, the Finance Bill 2025 proposes that the tax payable under any assessment order shall become immediately recoverable or within the time specified in the notice issued by the income tax authority under this subsection. However, the Finance Bill further proposes that in case if High

Court decides the appeal filed by the Commissioner in favor of the department under section 133, recovery shall be made after 7 days from the date of the order of the High Court.

Withholding income tax on payment of pension or annuity, or any supplement to a pension or annuity or commutation of pension - [Section 149]

The Finance Bill 2025 proposes to introduce withholding income tax to be deducted by the employer from a former employee who is below the age of 70 years and deriving pension income exceeding Rs. 10,000,000/- during a tax year, on the amount exceeding Rs. 10,000,000/- applying the rates specified in Division I of Part I of the First Schedule along with surcharge as per section 4AB of the Ordinance and after making necessary adjustments for tax already paid / deducted.

Gain arising out of debt securities and withholding tax thereon - [Section 151A / First Schedule Part I Division IIIAA]

The Finance Bill 2025 seeks to add a new Section 151A to introduce the taxation of gain on debt securities and propose to make every custodian of debt securities including a banking company responsible to maintain Investor Portfolio Securities (IPS) Account on behalf of holder of a debt security and shall at the time of disposal of debt securities including government securities deduct tax @ 15% of the gross amount of the capital gain arising to such holder. The Bill excludes disposal of debt securities made through registered stock exchange and which are settled through NCCPL from the ambit of section 151A. As per the Finance Bill 2025, the capital gain arising to the holder on disposal of debt security shall be computed in accordance with the formula provided in sub-section (1A) of section 37A of the Ordinance.

Payment to non-residents - [Section 152 / First Schedule Part III Division II]

The Finance Bill 2025 proposes to impose withholding tax, in case of holding period of debt instruments and Government securities including treasury bills and Pakistan investment bonds is less than twelve months. The capital gain arising on the disposal of such securities to the non-resident person shall be taxed by applying withholding rate of 20% of the gross amount paid.

The Finance Bill 2025 further proposes to increase withholding income tax rate on certain specified services to non - residents as mentioned in para (5)(i) of Division II of Part III of First Schedule from 4% to 8%. However, the Bills seeks to keep the rate at 4% for IT services and IT enable services.

The Bill further proposes to increase withholding tax rate on services other than the above specified services u/s 152, in the following manner:

Division II Para	Description	Tax Year 2025 Tax Rates	Tax Year 2026 Tax Rates
5(ii)(a)	in case of a company	9% of the gross amount payable	15% of the gross amount payable
5(ii)(b)	in any other case	11% of the gross amount payable	15% of the gross amount payable

Payment for goods, services and contracts - [Section 153 / First Schedule Part III Division III Para 3A]

The Finance Bill 2025 proposes to add sub-section (2A) under Section 153, to require every “payment intermediary” at the time of processing payment through digital means, on behalf of a seller of digitally ordered goods or services through locally operated e-commerce platforms (including websites) and every courier business providing courier services collecting cash from a buyer under Cash on Delivery (CoD) payment terms on behalf of a seller for the supply of digitally ordered goods and services through e-commerce platforms (including websites); to collect tax from the gross amount payable (including sales tax, if any) to the seller at the rate specified in Division IVA of Part I of the First Schedule to the Ordinance and deposit to government treasury.

The Bill further proposes changes in Section 153(7) to include the “payment intermediary” and “courier service providers” as withholding agent.

The Finance Bill 2025 proposes the rate of tax to be deducted from a payment against Section 153(2A) for digitally ordered goods or digitally delivered services through e-commerce platforms including websites to be in case of payment through –

(i) Digital means or banking channels by payment intermediary:

S. No.	Description	Tax Rates
1.	Where the amount paid does not exceed Rs. 10,000	1% of the gross amount paid
2.	Where the amount paid exceeds Rs. 10,000 but does not exceed Rs. 20,000	2% of the gross amount paid
3.	Where the amount paid exceeds Rs. 20,000	0.25% of the gross amount paid

(ii) Cash on delivery by courier service:

S. No.	Description	Tax Rates
1.	On supply of electronic and electrical goods	0.25% of the gross amount paid
2.	On supply of clothing articles, apparels, garments etc.	2% of the gross amount paid
3.	On supply of goods other than mentioned in S. No. 1 and 2 above	1% of the gross amount paid

Furnishing of information by online marketplace, payment intermediary and courier service - [Section 165C]

The Finance Bill 2025 proposes to add Section 165C requiring every payment intermediary and courier service provider responsible for deducting tax u/s 153(2A) of the Ordinance to file a quarterly withholding statement for tax deduction regarding sale of digitally ordered goods and services tax the prescribed format. The Bill also proposes that to require every online marketplace in Pakistan to submit a monthly statement containing prescribed information of every vendors registered on its platform supplying digitally ordered goods and services in e-commerce, transactional and aggregated quantum of seller’s monthly turnover and the amount shall be deposited into the vendor’s bank account against such sale transactions.

Exchange of banking and tax information related to high-risk persons - [Section 175AA]

The Finance Bills proposes to add Section 175AA, to share certain key information of any taxpayer with his bankers to confirm his personal data.

Taxpayers' registration - [Section 181]

The Finance Bill 2025 seeks to add sub-section (1A) under Section 181 restricting every online marketplace or courier service provider, involved in ecommerce by supplying or delivering digitally ordered goods or services from within Pakistan, to restrict any vendor to use its platform services to carry out e-commerce transactions unless such vendors has been registered under the Sales Tax Act, 1990 and this Ordinance.

Service of notices and other documents - [Section 218]

The Finance Bill 2025 proposes to substitute the word "individual" with "person". This is a proposed clarificatory amendment.

Appointment of auditors by FBR - [Section 222]

The Finance Bill 2025 proposes to give authority to FBR to appoint as many auditors as it deems fit for carrying out the purposes of this Ordinance. However, the Bill further propose that the total number of such auditors appointed under this section shall not be more than 2,000.

The rate of advance tax on cash withdrawal increased - [Section 231AB]

The Finance Bill 2025 proposes to increase the rate of advance tax on total cash withdrawal in a day, exceeding Rs. 50,000 from 0.6% to 0.8%, from a person whose name is not appearing in the active taxpayers' list.

The impact of the above change of tax rates on tax incidence of the salaried individuals for tax year 2026 is tabulated in comparison to Tax Year 2025 hereunder:

Monthly taxable Salary	Annual taxable Salary	2025 Tax charge	2025 eff. tax rate	2026 Tax charge	2026 eff. tax rate	Increase / (Decrease) in tax charge	Increase / (Decrease) %
50,000	600,000	-	-	-	-		
66,667	800,000	10,000	1.25%	2,000	0.25%	(8,000)	(80.0%)
83,333	1,000,000	20,000	2.00%	4,000	0.40%	(16,000)	(80.0%)
100,000	1,200,000	30,000	2.50%	6,000	0.50%	(24,000)	(80.0%)
125,000	1,500,000	75,000	5.00%	39,000	2.60%	(36,000)	(48.0%)
150,000	1,800,000	120,000	6.67%	72,000	4.00%	(48,000)	(40.0%)
175,000	2,100,000	165,000	7.86%	105,000	5.00%	(60,000)	(36.4%)
200,000	2,400,000	230,000	9.58%	162,000	6.75%	(68,000)	(29.6%)
225,000	2,700,000	305,000	11.30%	231,000	8.56%	(74,000)	(24.3%)
250,000	3,000,000	380,000	12.67%	300,000	10.00%	(80,000)	(21.1%)
266,667	3,200,000	430,000	13.44%	346,000	10.81%	(84,000)	(19.5%)
291,667	3,500,000	520,000	14.86%	436,000	12.46%	(84,000)	(16.2%)

316,667	3,800,000	610,000	16.05%	526,000	13.84%	(84,000)	(13.8%)
341,667	4,100,000	700,000	17.07%	616,000	15.02%	(84,000)	(12.0%)
416,667	5,000,000	1,015,000	20.30%	931,000	18.62%	(84,000)	(8.3%)
583,333	7,000,000	1,715,000	24.50%	1,631,000	23.30%	(84,000)	(4.9%)
833,333	10,000,000	2,765,000	27.65%	2,681,000	26.81%	(84,000)	(3.0%)
1,250,000	15,000,000	4,966,500	33.11%	4,829,790	32.20%	(136,710)	(2.8%)
1,666,667	20,000,000	6,891,500	34.46%	6,737,290	33.69%	(154,210)	(2.2%)
2,083,333	25,000,000	8,816,500	35.27%	8,644,790	34.80%	(171,710)	(1.9%)
2,500,000	30,000,000	10,741,500	35.81%	10,552,290	35.17%	(189,210)	(1.8%)

Rate of tax on income chargeable under the head "salary" exceeding 75% of taxable income - [First Schedule Part I Division I]

The Finance Bill 2025 proposes to introduce the following new tax rates on income chargeable on income from salary, where salary income exceeds 75% of total taxable income:

S#	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs. 600,000/-	0%
2.	Where taxable income exceeds Rs. 600,000/- but does not exceed Rs. 1,200,000/-	1% of the amount exceeding Rs. 600,000/-
3.	Where taxable income exceeds Rs. 1,200,000/- but does not exceed Rs. 2,200,000/-	Rs. 6,000/- + 11% of the amount exceeding Rs. 1,200,000/-
4.	Where taxable income exceeds Rs. 2,200,000/- but does not exceed Rs. 3,200,000/-	Rs. 116,000/- + 23% of the amount exceeding Rs. 2,200,000/-
5.	Where taxable income exceeds Rs. 3,200,000/- but does not exceed Rs. 4,100,000/-	Rs. 346,000/- + 30% of the amount exceeding Rs. 3,200,000/-
6.	Where taxable income exceeds Rs. 4,100,000/-	Rs. 616,000/- + 35% of the amount exceeding Rs. 4,100,000/-

Super tax - [Section 4C / First Schedule Part I Division IIB]

The Finance Bill 2025 seeks to reduce super tax rates applicable u/s 4C of the Ordinance for Tax Year 2026 onwards, in the following manner:

S. No.	Income under section 4C	Rate of Tax		
		For tax year 2022	For tax years 2023, 2024 and 2025	For tax year 2026 and onwards
(1)	(2)	(3)	(4)	(5)
1.	Where income does not exceed Rs. 150 million	0% of the income	0% of the income	0% of the income
2.	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1% of the income	1% of the income	1% of the income

<table>
<tr><td>3.</td><td>Where income exceeds Rs. 200 million but does not exceed Rs. 250 million</td><td>2% of the income</td><td>2% of the income</td><td>1.5% of the income</td></tr>
<tr><td>4.</td><td>Where income exceeds Rs. 250 million but does not exceed Rs. 300 million</td><td>3% of the income</td><td>3% of the income</td><td>2.5% of the income</td></tr>
<tr><td>5.</td><td>Where income exceeds Rs. 300 million but does not exceed Rs. 350 million</td><td rowspan="4">4% of the income</td><td>4% of the income</td><td>3.5% of the income</td></tr>
<tr><td>6.</td><td>Where income exceeds Rs. 350 million but does not exceed Rs. 400 million</td><td>6% of the income</td><td>5.5% of the income</td></tr>
<tr><td>7.</td><td>Where income exceeds Rs. 400 million but does not exceed Rs. 500 million</td><td>8% of the income</td><td>7.5% of the income</td></tr>
<tr><td>8.</td><td>Where income exceeds Rs. 500 million</td><td>10% of the income:</td><td>10% of the income</td></tr>
</table>

Rate of dividend tax / Withholding tax on dividend - [Section 150 / First Schedule Part I Division III Clause (ba) / First Schedule Part III Division I Clause (ba)]

The Finance Bills 2025 proposes to add a new clause (ba) in Division III of Part I of First Schedule and Division I of Part III of First Schedule, to introduce tax rates of 25% and 15%, in case of mutual funds, contingent upon proportional income derived from average annual investments in debt securities and equities respectively.

Rate for profit on debt / Withholding tax on profit on debt - [Section 151 / First Schedule Part I Division IIIA / First Schedule Part III Division IA]

The Finance Bill 2025 proposes the following tax rate on profit on debt and withholding tax rates on profit on debts in the following manner:

Division IA	Description	Tax Year 2025 Tax Rates	Tax Year 2026 Tax Rates
(a)	The yield or profit paid by a banking company or financial institution on an account or deposit maintained with such company or institution	15%	20%
(b)	the yield or profit in cases other than those mentioned in clause (a)	15%	15%

Payment for goods, services and contracts - [Section 153 / First Schedule Part III Division III]

The Finance Bill 2025 proposes to increase withholding income tax rate on certain specified services as mentioned in para (2) of Division III of Part III of First Schedule from 4% to 6%. However, the Bills seeks to keep the rate at 4% for IT services and IT enable services.

The Bill further proposes to increase withholding tax rate on services other than the above specified services, in the following manner:

Division III Para	Description	Tax Year 2025 Tax Rates	Tax Year 2026 Tax Rates
2(ii)(a)	in case of a company	9% of the gross amount payable	15% of the gross amount payable
2(ii)(b)	in any other case	11% of the gross amount payable	15% of the gross amount payable
2(ii)(c)	in respect of persons making payments to electronic and print media for advertising services	1.5% of the gross amount payable	1.5% of the gross amount payable

In case of sportspersons, the Bill proposes to increase the rate of tax to be deducted from a payment for execution of contracts u/s 153(1)(c), from 10% to 15% of the gross amount payable. Accordingly, the withholding tax rates for "execution of contract" is proposed to be as under:

Division III Para	Description	Tax Year 2025 Tax Rates	Tax Year 2026 Tax Rates
3(i)	in case of sportspersons;	10% of the gross amount payable	15% of the gross amount payable
3(ii)	in case of a company	7.5% of the gross amount payable	7.5% of the gross amount payable
3(iii)	in any other cases	8% of the gross amount payable	8% of the gross amount payable

Advance tax on sale or transfer of immovable property - [Section 236C / First Schedule Part IV Division X / Tenth Schedule Rule (1) Third Proviso / Tenth Schedule Rule (1A)(a)]

The Finance Bill 2025 seeks to enhance the advance tax rates on sales or transfer of immoveable property u/s 236C of the Ordinance as per First Schedule Part IV Division X in the following manner:

S. No.	Amount	Tax Year 2025 Tax Rate	Tax Year 2026 Tax Rate
1	Where the gross amount of the consideration received does not exceed Rs. 50 million	3.0%	4.5%
2	Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs. 100 million	3.5%	5.0%
3	Where the gross amount of the consideration received exceeds Rs. 100 million	4.0%	5.5%

In case of persons not appearing in the active taxpayers' list, the Finance Bill 2025 seeks to enhance the advance tax rates on sales or transfer of immoveable property u/s 236C of the Ordinance as per Tenth Schedule Rule (1) Third Proviso in the following manner:

S. No.	Amount	Tax Year 2025 Tax Rate	Tax Year 2026 Tax Rate
1	On the gross amount of consideration received on sale or transfer of immovable property	10.0%	11.5%

In case of late filers of return, the Finance Bill 2025 seeks to enhance the advance tax rates on sales or transfer of immoveable property u/s 236C of the Ordinance as per Tenth Schedule Rule (1A)(a) in the following manner:

S. No.	Amount	Tax Year 2025 Tax Rate	Tax Year 2026 Tax Rate
1	Where the gross amount of the consideration received does not exceed Rs. 50 million	6.0%	7.5%
2	Where the gross amount of the consideration received exceeds Rs. 50 million but does not	7.0%	8.5%
3	Where the gross amount of the consideration received exceeds Rs. 100 million	8.0%	9.5%

Advance tax on purchase of immovable property - [Section 236K / First Schedule Part IV Division XVIII / Tenth Schedule Rule (1) Second Proviso]

The Finance Bill 2025 seeks to reduce the advance tax rates on purchase of immoveable property u/s 236K of the Ordinance as given hereunder:

S. No.	Amount	Tax Year 2025 Tax Rate	Tax Year 2026 Tax Rate
1	Where the fair market value does not exceed Rs. 50 million	3.0%	1.5%
2	Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%	2.0%
3	Where the fair market value exceeds Rs. 100 million	4.0%	2.5%

In case of persons not appearing in the active taxpayers' list, the Finance Bill 2025 seeks to reduce the advance tax rates on purchase of immoveable property u/s 236K of the Ordinance as given hereunder:

S. No.	Amount	Tax Year 2025 Tax Rate	Tax Year 2026 Tax Rate
1	Where the fair market value does not exceed Rs. 50 million	12.0%	10.5%
2	Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million	16.0%	14.5%
3	Where the fair market value exceeds Rs. 100 million	20.0%	18.5%

In case of late filers of return, the Finance Bill 2025 seeks to reduce the advance tax rates on purchase of immoveable property u/s 236K of the Ordinance as per Tenth Schedule Rule (1A)(b) in the following manner:

S. No.	Amount	Tax Year 2025 Tax Rate	Tax Year 2026 Tax Rate
1	Where the fair market value does not exceed Rs. 50 million	6.0%	4.5%
2	Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million	7.0%	5.5%
3	Where the fair market value exceeds Rs. 100 million	8.0%	6.5%

Payment from Pension Funds - Second Schedule Part I Clause (8), (9), (12), (13), (23A), (23C)

It is proposed to tax pension/annuity/commutation of pension received in a tax year in excess of Rs. 10 million by an individual under the age of 70 years; however, the drafted wording is ambiguous and tends to suggest that it will be taxed at normal rates unless individual is 'solely' deriving such income in which case it will be taxed as per table below:

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

Pension to families and dependents of Shaheeds continues to be exempt.

Amendments are proposed in section 149 whereby a person responsible for paying pension or annuity would be required to withhold income tax from pension /annuity to an individual below the age of 70 years at the above referred rates.

The withdrawal of exemption on pension/annuity will also have bearing of surcharge and super tax.

Any payment received by way of commutation of pension by an employee on his retirement or, in the event of his death, by his heirs was exempt under clause (13) to the extent defined. This exemption is proposed to be withdrawn.

Payment of accumulated balance upto 50% from voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005 is exempt in certain conditions and any withdrawal exceeding 50% is liable to tax under clause (23A). This is now proposed to be withdrawn.

Withdrawal of accumulated balance from approved pension fund that represents the transfer of balance of approved provident fund to the said approved pension fund under the Voluntary Pension System Rules, 2005 is exempt under clause (23C) is now proposed to be withdrawn.

Rebate to full time teachers or researchers - [Second Schedule Part III Clause (3A)]

The Finance Bill 2025 proposes to add a new clause (3A) in Part III of Second Schedule, to provide tax rebate of 25% of tax payable on income from salary to a full-time teacher or a researcher, employed in a non-profit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government research institution.

The Finance Bill 2025 further proposes that this newly inserted clause shall be deemed to have been in force with effect from the first day of July, 2022 and shall cease to have effect after tax year 2025. Thus, this rebate will not be available from Tax Year 2026.

Audit / Selection of audit by FBR - [Section 177 / Second Schedule Part IV Clause (105A)]

Currently, the exemption is available to a person from audit u/s 177 and 214C of the Ordinance, in case if the income tax affairs of that person are audited in any of the preceding four tax years. The Finance Bill 2025 now seeks to change the exemption “for complete non applicability of section 177 and 214C” to “selection of that person for audit under section 177 and 214C.’’ The Bill further seeks to reduce the period of exemption from 4 years to 3 years.

Profit on debt - [Section 151 / Tenth Schedule Rule (1) Third Proviso]

In case of persons not appearing in the active taxpayers‘ list the tax rate on yield or profit on debt was 35%. The Finance Bill 2025 seeks to delete this enhanced tax rate.

Capital gain on disposal of securities - [Section 37A / Tenth Schedule Rule (10)(y)]

Rule 10 of Tenth Schedule to the Ordinance provides a list of withholding and advance tax, where enhanced rates for persons not appearing in the active taxpayers’ list does not apply. Before the Finance Bill 2025, the list provided exclusion to all taxes collected u/s 37A, However the Finance Bill has now excluded advance tax collected u/s 237A for only those securities which were acquired on and from 1st July 2025. Hence, on disposal of securities acquired before 1st July 2025, enhanced rates as per Tenth Schedule shall now be applicable.

Significant Amendments in Sales Tax Act, 1990

1. Legislative changes:

1.1 Definition of term 'abettor' – Clause (1) of Section 2 (renumbered)

In the context of strengthening the enforcement and creating deterrence against tax frauds, the role of an 'abettor' is being envisaged. For this purpose, the definition of the term "abettor" is proposed to be inserted, which means a person who abets or connives in tax fraud within the parameters, as defined in Section 2(37) of the Sales Tax Act, 1990 [ST Act] or in the commission of any offence, warranting prosecution under the Act and includes a person who:

(a) misuses other registered person's unique user identifier and password for filing returns or annexures or any other document or unauthorizedly makes change in tax e-profile of any registered person;

(b) prepares, or causes to be prepared with or without authorization of the registered person, invoices for false claim of input tax adjustment;

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

(d) has obtained or caused to obtain sales tax registration number for the purpose of paper transactions, including issuance of invoices without involving any taxable activity.

The proposed definition is inserted in the context of exorbitant penalties to be imposed for cases of 'tax fraud'. However, Clause (a) of this definition seems to be in conflict with the liability and obligations of representatives as provided under Section 58B of the Act, where the authorized representative may not primarily be liable for the tax liability of the registered person. Apparently, this definition needs to be rationalized to absolve the authorized representatives from any recovery of tax until the revenue proves the onus of willful or deliberate intent to evade tax on the part of the representative.

1.2 Definitions of 'Cargo Tracking System' [Clause (4A)] and 'e-Bilty' [Clause (9A)]

The Bill proposes to insert a new definition of the term 'Cargo Tracking System', whereupon a digital system of electronic monitoring and tracking of goods transported within or across the territory of Pakistan shall be notified by the Board for the purpose of tax enforcement, compliance and prevention of any tax evasion.

Simultaneously, another related definition of the term "e-bilty" is being inserted, which means a digital transport document generated through the Cargo Tracking System as prescribed by the Board, to accompany goods during their movement.

The procedural requirements under this new regime are yet to be notified. Most likely, the Board would initially introduce this scheme for specific sectors or class of registered persons, and then gradually broaden its scope across the board. This is also an integration of cargo transportation with FBR's systems in addition to POS integration/e-invoicing already made mandatory by FBR for corporate and non-corporate sectors.

1.3 Taxation of e-commerce and online market places under withholding sales tax mode:

New definitions of the terms 'e-commerce', 'online marketplace' and 'couriers' have been proposed in order to introduce a revamped withholding sales tax regime for the digitally ordered taxable goods and services, which broadly cover all e-commerce activities.

Presently, only online marketplaces are required to withhold sales tax at the rate of 1% on local supplies made by non-active taxpayer vendors. Yet, owing to high growth in this industry, particularly the online sales made through web-sites and mobile applications, the Government plans to widen the scope of withholding sales tax under the Eleventh Schedule to Act.

Following proposed amendments are made in the context of the captioned revamped regime:

(a) Definition of term 'e-commerce' – Section 2(9AC)

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

(b) Definition of term 'online marketplace' – Section 2(18A)

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

(c) Definition of term 'courier' – Section 2(5AC)

"courier" means any entity engaged in the delivery of goods and collection of cash on behalf of a seller including logistic services, ride-hailing services, food delivery platforms and ecommerce delivery services.

(d) Definition of term 'payment intermediary' – Section 2(21)

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

(e) Insertion of enabling provision under the charging provision – Section 3(3)(c):

A new clause and sub-section (7A) are proposed to be inserted under the charging provision of Section 3 of the Act, which read as under:

This provision outlines the tax responsibility for supplies of digitally ordered goods within Pakistan in the context of e-commerce. It places the obligation to collect and remit sales tax on the payment intermediaries such as banks, financial institutions, licensed exchange companies, or payment gateways, when payments are made digitally. In case where goods are delivered on a Cash on Delivery (CoD) basis, the courier service handling the delivery is held responsible for collecting and paying the tax.

Furthermore, under sub-clause (7A), the tax collected by these intermediaries is treated as the final discharge of tax liability for the online marketplace, its vendors, and platforms involved in the supply of such goods. As a result, no additional tax is payable by these entities for those transactions, and they are not entitled to claim input tax adjustments related to these. This provision simplifies compliance for online sellers but limits their ability to recover input tax on related purchases.

(f) Sales Tax Registration requirements – Section 14

- Every person including a non-resident person selling digitally ordered goods from within Pakistan through online marketplace, website or software application as the case may be, shall apply in the prescribed form and in the prescribed manner for registration.

- Every online marketplace or a courier, involved in e- commerce by supplying digitally ordered goods from within Pakistan shall not allow any person to use their services to carry out e-commerce transactions unless it is registered under sales tax and income tax.”; and

- If a person, who is required to be registered under the Act, does not apply for registration and the Commissioner Inland Revenue or any other officer, as may be authorized by the Board, after such inquiry as deemed appropriate, having reason to believe that a person is liable to register, he shall compulsorily register such person.

(g) Filing of prescribed monthly statement – Section 26

The proposed addition of new provisions impose a reporting obligation on online marketplaces, payment intermediaries, and couriers involved in the supply of digitally ordered goods within Pakistan. Online marketplaces are required to submit a true, complete, and correct monthly statement by the due date in the prescribed format, detailing supplier-wise payments, tax due, and other relevant information, regardless of the economic ownership of the goods.

Likewise, payment intermediaries and couriers must also file a similar monthly statement within the prescribed timeline. These requirements are intended to strengthen tax compliance and improve the traceability of e-commerce transactions.

(h) Penalty on non-compliance – Section 33

Nature of Offense	Rate of Penalty
"1A. Where any online marketplace, payment intermediary or courier fails to furnish prescribed monthly statement within due date	Such person shall be liable to pay: (i) Penalty of five lac rupees for first default; (ii) Penalty of one million rupees for each subsequent default.
1B. Where any online marketplace, courier allow use of its services in the course of e-commerce by unregistered persons	Such person shall be liable to pay: (i) Penalty of five lac rupees for first default; (ii) Penalty of one mil-lion rupees for each subsequent default.

(i) Rate of withholding sales tax under Eleventh Schedule:

In place of online market place, the payment intermediaries and couriers of digitally ordered goods within Pakistan are proposed to the withholding agents, who will deduct and pay withholding sales tax at the rate of 2% of the gross value of supplies. Currently, the online market place is required to withhold sales tax at 1% rate.

(j) Proposed enactment of the New Digital Presence Proceeds Tax Act, 2025:

A new legislation titled as 'The Digital Presence Proceeds Tax Act, 2025' is proposed to be promulgated. Under the Schedule of this new legislation, the tax rate for collection for cross-border transactions of digitally ordered goods and services shall be as under:

S. No.	Description	Rate of Tax
1.	Services	5% of the payment including of advertisement on social media platforms
2.	Goods	5% of the payment made to foreign provider

1.4 Definition of 'tax fraud' – Section 2(37)

The scope of tax fraud is proposed to be broadened by insertion of new defination.

"tax fraud" means knowingly, intentionally or dishonestly doing any act or causing to do any act or omitting to take any action or causing the omission to take any action, to cause loss of tax or attempting to cause loss of tax under the Act, including-

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

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

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

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

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

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

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

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

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

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

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

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

1.5 Definition of 'retail price' – Section 2(27)

Retail price with reference to Third Schedule to the Act means the price fixed by the manufacturer or imported inclusive of all duties, charges and taxes other than sales tax at which any particular brand or variety of any article be sold to the general body of consumers or if more than one such priced so fixed for the same brand or variety, the highest of such price.

The Bill seeks to enact a new proviso to the above definition, which enunciates that the reduction in price on account of chilling charges or any other similar charges in case of aerated water, beverages, mineral water or fruit juices shall not be more than 5% of the price inclusive of sales tax and Federal excise duty on which such goods are actually sold to the general body of consumers.

It is further proposed that in case of imported goods specified in Third Schedule, the retail price shall not be less than 130% of the value determined under Section 25 of the Customs Act, 1969 including the amount of customs duties and Federal excise duty.

1.6 Adjustable input tax – Section 8B

Under Section 8B of the Act, the Board is empowered to prescribe any other limit on input tax adjustment through a Gazette notification. In this context, the Board has issued a notification SRO.1190(I)2019, dated 02 October 2019. Now, the Bill seeks to empower the Board to use data based automated risk management system to defer certain input tax or fix higher or lower limits of input tax adjustment. The Bill however proposes to allow the registered person to contest the action taken under this provision by filing application and documents with the Commissioner concerned, who shall decide the case within 30 days of such application.

1.7 Best judgment assessment – Section 11D

A new sub-section (5) is proposed to be added in Section 11D. This provision empowers the Officer of Inland Revenue to take action against individuals who are liable to be registered under the Sales Tax Act, 1990, specifically under clause (25) of section 2, which deals with persons required to be registered due to taxable activity but fail to furnish a return despite being issued a notice.

If such a person does not respond to a notice or file a return, the Inland Revenue Officer is authorized to estimate and assess their sales tax liability. This can be done on a reasonable basis, using value addition estimates and data from purchases reported under section 236G of the Income Tax Ordinance, 2001.

1.8 Assessment of tax and recovery of tax – Section 11E

The provisions of Section 11E of the Act are proposed to be substituted, which provide that proceedings of arrest of the person found in committing tax fraud, if initiated under Section 37A, then the proceedings under Section 11E shall not be applicable.

1.9 Bar on operations of bank accounts – Section 14AC

The Bill seeks to insert new Section 14AC which introduces a strong enforcement tool by allowing the Commissioner Inland Revenue to block the bank accounts of individuals who fail to register under the Sales Tax Act.

- Sub-section (1) empowers the Commissioner to instruct banks to stop operations of accounts of non-registered persons.
- Sub-section (2) ensures that the restriction is lifted immediately once the person gets registered.
- Sub-section (3) provides a right of appeal to the affected person within 30 days to the Chief Commissioner Inland Revenue.
- Sub-section (4) makes implementation conditional upon a notification by FBR.

This section is aimed at forcing non-compliant persons to register, thereby broadening the tax base. It adds serious consequences for non-registration and encourages timely compliance through the threat of financial disruption.

1.10 Bar on transfer of immovable property – Section 14AD

The Bill seeks to insert new Section 14AD which empowers the Commissioner Inland Revenue to enforce bar on the transfer of immovable property for individuals who fail to register under the Sales Tax Act, 1990.

- Sub-section (1) authorizes the Commissioner Inland Revenue to direct property registration authorities to block property transfers of unregistered persons.
- Sub-section (2) requires the bar to be immediately removed upon registration.
- Sub-section (3) gives the affected person the right to appeal to the Chief Commissioner Inland Revenue within 30 days.
- Sub-section (4) makes the section effective from a date notified by the FBR.

This section aims to compel registration by imposing restrictions on property transactions. It is a compliance-focused tool targeting individuals operating outside the formal tax net and leverages property rights to enforce tax laws.

1.11 Other coercive action for non-registration – Section 14AE

Section 14AE introduces coercive enforcement powers to ensure registration under the Act. It empowers the Chief Commissioner Inland Revenue to take the following actions against unregistered persons:

- Sub-section (1) empowers the Commissioner Inland Revenue to Seal business premises, seize movable assets, and appoint a receiver to manage the business
- Sub-section (2) provides that a public notice must be issued before taking action. A hearing opportunity must be provided by a committee including a tax officer and a trade body representative in an open court and decision must be made public via FBR's website and newspapers.
- Sub-section (3) provides that after registration; the receiver must be removed within two working days.
- Sub-section (4) provides appeal mechanism where an aggrieved person may appeal to the FBR within 30 days.
- Sub-section (5) provides that the provisions will take effect from a date notified by the Board.

This section is a compliance enforcement tool, designed to pressure non-filers for sales tax registration by allowing physical and administrative intervention, while ensuring due process through hearings and public transparency.

1.12 Suspension of sales tax registration – Section 21

The proposed amendment in Section 21 by adding sub-section (2A) to ensure fair procedure in suspension and blacklisting of registered persons. It requires the Commissioner to issue a show-cause notice within 15 days of suspension and decide the case within 30 days, either revoking the suspension or passing a reasoned and appealable blacklisting order. This promotes transparency, accountability, and timely resolution while upholding taxpayer rights.

1.13 Sales Tax Invoicing – Section 23

The proposed amendment to Section 23 strengthens documentation and compliance by requiring that all transported or supplied goods must have tax invoices linked with an e-Bilty, as generated under Section 40C of the Sales Tax Act and Section 83C of the Customs Act, 1969. This move seeks to ensures better traceability of goods in transit and enhances anti-smuggling and anti-evasion efforts.

Additionally, new sub-sections (5) and (6) empower FBR to mandate the integration of taxpayers' electronic invoicing systems with the Board's computerized system for real-time sales reporting. This integration will be applied to specified persons or classes of persons through official notifications. Furthermore, licensed integrators will be responsible for connecting these systems as prescribed. The provision also mandates all Tier-1 retailers to integrate their retail outlets with the FBR's system in a prescribed manner and timeline. These changes are aimed at improving transparency, reducing tax evasion, and strengthening digital enforcement across the supply chain.

1.14 Appointment of experts and auditors – Section 32B

The insertion of new Section 32B seeks to introduce a legal provision allowing the Federal Board of Revenue (FBR) or the Commissioner to appoint experts and auditors for effective implementation of the Act. These experts may assist in various functions, including audits, investigations, litigation, and valuation, thereby strengthening the capacity of tax authorities.

Additionally, the Board is authorized to appoint up to 2,000 auditors, either directly or through third parties such as payroll firms. These auditors will support tax authorities under both the Sales Tax Act, 1990 and the Federal Excise Act, 2005. The engagement of these auditors will be governed by prescribed terms, conditions, and limitations. This provision aims to enhance the efficiency, reach, and technical capability of the tax administration system by involving specialized professionals in core compliance functions.

1.15 Penalty – Section 33

The amendments to Section 33 of the Act significantly expand and reinforce the legal framework governing offences, penalties, and punishments. The heading of Chapter VII is updated to include the term "Punishment," reflecting the introduction of stricter criminal consequences in addition to administrative penalties. In the penalty table, new entries are added specifically targeting non-compliance by digital platforms such as online marketplaces, payment intermediaries, and courier services. These entities now face substantial fines ranging from PKR 500,000 for the first offence to PKR 1 million for repeated defaults, if they fail to submit required statements or facilitate unregistered sellers in e-commerce transactions.

Moreover, serious offences such as committing tax fraud are now met with enhanced punitive measures. The revised entry for tax fraud prescribes imprisonment up to ten years, heavy fines up to PKR 10 million, and liability for the confirmed tax loss along with penalty and default surcharge. A new provision also criminalizes abetment or connivance in such fraudulent activities, making offenders liable to similar harsh punishment, reinforcing accountability for all participants in tax evasion schemes.

Other changes include the omission of outdated or redundant provisions, like S. No. 11 and 22, and the introduction of new offences such as failure to generate or tampering with e-bilty documents under Section 40C. These infractions now attract a penalty of PKR 50,000 and recovery of any evaded tax. Overall, the amendments aim to tighten compliance, broaden liability across stakeholders in digital commerce, and introduce more robust enforcement mechanisms to combat tax fraud and evasion.

1.16 Power to summon in an enquiry – Section 37

The proposed insertion of sub-section (4) in Section 37 empowers officers of Inland Revenue with civil court-like authority during inquiries under the Sales Tax Act. This means that for the purpose of conducting an investigation, Inland Revenue officers will have the legal power to summon individuals, compel their attendance, and examine them under oath. Additionally, they can require the production of relevant documents and accept evidence in the form of affidavits. By granting these quasi-judicial powers, the amendment aims to strengthen the enforcement capabilities of tax authorities and ensure more effective and thorough investigations into tax matters.

1.17 Power to inquire and investigate – Section 37A

The substituted Section 37A strengthens the framework for initiating and conducting inquiries and investigations into offences under the Act, particularly those involving tax fraud or acts warranting prosecution. It authorizes an Inland Revenue officer, not below the rank of Assistant Commissioner, to begin an inquiry with the Commissioner's approval if there is material evidence suggesting wrong-doing. The inquiry is to be carried out using powers provided under various sections of the Act. Once the inquiry concludes, the officer may confront the accused with the evidence and give them a chance to respond. If the response is unsatisfactory or absent, and the officer believes an offence has occurred, the case is referred back to the Commissioner for permission to move forward with a formal investigation. The Commissioner must then either approve the investigation, ask for further details, or reject the request after recording written reasons. If approved, the inquiry officer records the details of the offence and proceeds with the investigation, exercising powers similar to those of a police officer, though within the limits of the Sales Tax Act. This process introduces a more structured, evidence-based approach to handling serious tax offences, ensuring both due process and enhanced enforcement capability.

1.18 Power to arrest – Section 37AA

The newly inserted Section 37AA provides Inland Revenue officers with powers to arrest individuals involved in tax fraud or offences under the Act, generally requiring prior approval from the Commissioner. In urgent cases, arrests can be made without prior approval but must be immediately reported and justified. The Commissioner may order release if the arrest lacks sufficient grounds and can initiate a fact-finding inquiry. Directors, CEOs, and CFOs of companies may also be arrested if personally responsible for fraud, though company liabilities remain. The arrests must follow the Criminal Procedure Code unless inconsistent with the Act, and abettors of tax fraud may also be arrested with similar safeguards.

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

The substituted Section 37B outlines the procedure after an arrest under the Act, requiring the arrested person to be produced before a Special Judge or Judicial Magistrate within 24 hours, excluding travel time. The Special Judge can grant or refuse bail and may later cancel it if needed, while the Magistrate can authorize temporary detention to ensure timely presentation before the Special Judge. Both can remand the accused to Inland Revenue custody for up to fourteen days for investigation.

If evidence is insufficient, the investigating officer may release the accused on bond and report to the Special Judge, who can discharge or proceed with trial. Officers must maintain a detailed register of arrests and submit investigation reports, including tax loss details, to the Special Judge. Magistrates can record statements or confessions legally, and the Board may authorize other officers to exercise these powers, ensuring clear procedures and oversight during arrest and investigation.

1.20 Compounding of offences – Section 37BB

Section 37BB allows accused persons, except in serious cases, to compound tax fraud offences by paying the assessed tax, penalty, and surcharge. The Commissioner can then acquit the accused for the compounded offence. However, ongoing investigations against others involved are not affected. If the accused is convicted and appealing, compounding requires High Court approval. This provides a way to resolve cases while ensuring oversight and accountability.

1.21 Obligation to produce documents – Section 38B

The proposed addition of sub-section (5) to Section 38B grants the Commissioner the authority to directly require Internet Service Providers, Telecommunication Companies, and the Pakistan Telecommunication Authority to provide subscriber information related to Internet Protocols. This power can be exercised through a written notice during inquiries or investigations involving tax fraud. Importantly, this provision overrides any conflicting laws currently in force, thereby streamlining access to critical digital data for tax enforcement purposes. This amendment reflects an effort to modernize investigative powers in line with evolving technology and the increasing relevance of digital information in detecting and addressing tax fraud.

1.22 Monitoring or tracking by electronic or other means – Section 40C

The amendments to Section 40C enhance the scope of monitoring and enforcement under the Act by explicitly including production monitoring and video analytics alongside bar codes in the relevant subsections. This broadens the tools available for surveillance and control, reflecting a move toward more advanced technological methods. Furthermore, the substitution of sub-section (4) aligns the provisions of this section with those of Section 83C of the Customs Act, 1969, ensuring consistency and clarity in enforcement powers across related laws. The omission of sub-section (5) streamlines the section, possibly removing redundant or conflicting provisions. Overall, these changes signify a modernization and harmonization of monitoring mechanisms within tax administration.

1.23 Pecuniary jurisdiction in appeals – Section 43A

Through the amendments made vide Tax Laws (Amendment) Act, 2024, the pecuniary limit of the value of assessment for filing of appeal before the learned Commissioner (Appeals) was fixed upto Rs.10 million through insertion of Section 43A of the ST Act. Now, the Bill seeks to allow filing of appeals before the Commissioner (Appeals) irrespective of any monitory limit by omitting Section 43A.

1.24 Appeal before Commissioner (Appeals)- Section 45B

The substituted sub-section (1) of Section 45B revises the appellate procedure available to aggrieved taxpayers under specific provisions of the Act. It clarifies that any person, excluding State-Owned Enterprises (SOEs), may file an appeal against certain decisions or orders passed by Inland Revenue officers. The appeal must be filed with the Commissioner Inland Revenue (Appeals) within thirty days of receiving the contested decision. However, some flexibility is introduced by allowing late appeals if the Commissioner is satisfied that there was a valid reason for the delay.

An important addition is the option granted to registered persons to bypass the first level of appeal and proceed directly to the Appellate Tribunal Inland Revenue. This alternative route enhances procedural efficiency and offers greater autonomy to taxpayers in choosing their preferred appellate forum. The amendment aims to streamline the appeals process and balance accessibility to justice with administrative discipline.

1.25 Appeal to the Hon'ble Appellate Tribunal – Section 46

The substituted sub-section (1) of Section 46 revises the scope and eligibility for filing appeals before the Appellate Tribunal under the Act. It now explicitly allows not only taxpayers but also Inland Revenue officers of at least the rank of Additional Commissioner to file an appeal against an order issued by the Commissioner (Appeals). Additionally, it provides that in cases where a taxpayer has exercised the option under the second proviso to Section 45B to bypass the first appellate authority, such person—excluding State-Owned Enterprises (SOEs)—may also directly appeal to the Tribunal within thirty days of receiving the order.

The proviso further clarifies that SOEs may appeal under this provision only when the conditions laid down in sub-section (11) of section 134A of the Income Tax Ordinance, 2001 are met. This amendment ensures broader access to the Appellate Tribunal while preserving specific procedural limitations for SOEs, reflecting a more nuanced and tiered appellate structure tailored to different classes of taxpayers.

1.26 Reference to the Hon'ble High Court – Section 47

The revised sub-section (1) of Section 47 reinforces the right of appeal to the High Court in cases where a legal question arises from an order of the Appellate Tribunal. It stipulates that either the aggrieved person or the Commissioner may, within sixty days of the Tribunal's order, submit a reference to the High Court. This reference must be made in the prescribed form and accompanied by a statement of the case along with the complete record of the proceedings before the Tribunal. By setting a clear timeline and documentation requirements, this amendment aims to ensure procedural consistency and judicial scrutiny of legal interpretations, thereby strengthening the appellate process within the framework of tax adjudication.

1.27 Inspection of audit firm – Section 58C

The insertion of Section 58C introduces a significant accountability mechanism for audit firms involved in certifying financial statements of registered persons under the Sales Tax regime. It empowers the Chief Commissioner Inland Revenue, upon forming a reasoned belief that the audited accounts do not fairly present the sales, purchases, or corresponding sales tax liabilities, to initiate a referral of the responsible audit firm to the Audit Oversight Board. However, this action requires prior approval from the Federal Board of Revenue, ensuring a higher level of scrutiny and procedural check before taking such a step. This provision strengthens the enforcement framework by targeting potential collusion or negligence on the part of audit firms and aligns tax audit practices with broader financial oversight and governance standards.

1.28 Certain transactions not admissible – Section 73

The amendment to Section 73(4) replaces the fixed monetary thresholds of one hundred million rupees in a financial year or ten million rupees in a tax period with a more flexible mechanism. Now, the threshold for applying the provisions of this section will be determined and prescribed by the Federal Board of Revenue with the approval of the Federal Minister-in-Charge. This change allows the authorities to revise the applicable limits in response to changing economic conditions or policy priorities without requiring further legislative amendments.

1.29 Condonation of time-limit - Section 74

The amendment to Section 74 introduces two important provisos that impose and then extend limits on the time period for condonation of time by the Board or the Commissioner. It establishes that, despite anything stated in the Act or other laws, or any prior court or authority decisions, the maximum extension allowed under this section is capped at two years in total.

However, in exceptional cases where there is reason to believe that a significant loss to the national exchequer has occurred due to the actions or inactions of a registered person or tax authority, a specially notified committee of members may further condone the delay beyond the two-year limit. This may only be done after affording the concerned person a chance to be heard. The change introduces a balance between limiting prolonged extensions and preserving flexibility for exceptional cases involving substantial revenue implications.

1.30 Time Limitation for Assessment

Presently, the assessment order under Section 11D, 11E and 11F is required to be passed within 120 days from the issuance of show-cause notice. Such time limit is proposed to be extended to 180 days.

1.31 Revision of Return

Currently, the registered person is not required to seek approval of the Commissioner for filing of revised return, if such revision is made within 60 days from filing of return and the tax payable / refundable for relevant tax period is more / less than the amount declared / claimed in return sought to be revised.

It is now proposed that approval of Commissioner shall be mandatory for revision of return, irrespective of impact of tax payable of refundable.

Sales Tax Schedule Changes

1. Sales tax on retail price basis – Third Schedule

The Bill seeks to bring certain imported items under retail price sales tax regime under Third Schedule as per proposed insertion of the following entries:

Entry No.	Description of taxable goods	PCT Heading
52	Import of pet food including of dogs and cats sold in retail packing	2309.1000
53	Import of coffee sold in retail packing	0901.1100, 0901.1200, 0901.2100, 0901.2200, 0901.9000, 2101.1120
54	Import of chocolates sold in retail packing	1704.9010, 1806.2090, 1806.3100, 1806.3200, 1806.9000
55.	Import of cereal bars sold in retail packing	1904.1010, 1904.1090, 1904.2000, 1904.3000, 1904.9000

2. Proposed Changes under Sixth Schedule (Exemptions)

(i) Exemptions withdrawn:

Entry No.	Description of goods	Tariff Heading
Table-1	Imports or local supply:	
151	(a)	Supplies; and
(b)	Imports of plant, machinery, equipment for installa-tion in tribal areas and of industrial inputs by the in-dustries lo-cated in the tribal areas, as defined in the Constitution of Islamic Republic of Pakistan as made till 30 June 2025, to which the provisions of the Act or the notifications is-sued thereunder, would have not applied had Article 247 of the Constitution not been omitted under the Constitu-tion (Twenty-fifth Amend-ment) Act, 2018 (XXXVII of 2018)	Respective Headings
164	Photovoltaic cells whether or not assembled in mod-ules or made up into panels	8541.4200 and 8541.4300

(ii) Exemptions proposed to be allowed or extended:

Entry No.	Description of goods	Tariff Heading
Table-1	**Imports or local supply:**	
152	Supplies of electricity, as made from the day of assent to the Constitution (Twenty-fifth Amendment) Act, 2018, till 30th June 2026, to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas, and to such industries in the tribal areas which were set and started their industrial production before 31st May, 2018, but excluding steel and ghee or cooking oil industries. Note: The exemption period is being extended for one year as it is currently applicable till 30th June 2025.	2716.0000
179	Import of cystagon, cysta drops and trientine capsules Note: The words 'for personal use only' stands omitted, which implies the scope of exemption is proposed to be widened irrespective of personal or commercial use.	3004.9099
180	Import or lease of aircrafts by Pakistan International Airlines Corporation Limited (PIACL)	8802.1200 8802.3000 8802.4000
Table-2	**Local supplies only**	
57	Iron and steel scrap excluding:- (a) supplied by manufacturer cum-exporter of recycled copper, authorized under Export Facilitation Scheme, 2021 directly supplied to a registered steel melter subject to such apportion-ment, conditions and restrictions as may be specified by the Board through a Sales Tax General Order; and (b) supplied directly by the importer (verifi-able from the goods declaration form) to a registered steel melter subject to such apportionment, conditions and restrictions as may be specified by the Board through a Sales Tax General Order."; Note: Scope of exemption is proposed to be extended to inter-alia cover the iron and steel scrap supplied by the importer.	7204.4100 7204.3000 7204.4990

3. Proposed Changes under Eighth Schedule (Reduced Rates)

(i) Reduced rates to be withdrawn:

Entry No.	Description of goods	Existing Rate	Proposed Rate
Table-1			
53	Locally manufactured or assembled mo-torcars of cylinder capacity upto 850cc [87.03].	12.5%	18%
72	Cinematographic equipment imported dur-ing the period from 01 July 2018 to 30 June 2023, as specified from Sr.No.(i) to (xix) subject to condition of availing 3% concessionary rate of customs duty on the import of such equipment.	12.5%	18%

(ii) Reduced rates proposed:

Entry No.	Description of goods	Tariff Heading	Proposed Rate
Table-1			
89	(i) imports of plant, machinery, and equipment for installation in the tribal areas, and import of industrial inputs by industries located in the tribal areas, as defined in the Constitution of the Islamic Republic of Pakistan; and (ii) and supplies within the tribal areas Provided that, in case of imports, the same shall be allowed clearance by the Customs authorities in accordance with quota determined by IOCO. Provided further that if plant, machinery and equipment, on which reduced rate is availed under this serial number, is transferred or supplied outside the tribal areas,	Respective heading	10% (for 2025-26)

4. Eleventh Schedule

	Withholding Agent	Supplier category	Rate pr ex-tent of de-duction
8.	Payment intermediaries and couriers in respect of digitally ordered goods from within Pakistan	Persons supplying digitally ordered goods from within Pakistan through online market place, website, software applications.	2% of gross value of supplies

Significant Amendments in ICT (Tax on Services) Ordinance, 2001

1. Integration of service providers with the FBR computerized system - Section 3(1)

The Bill has proposed that the service provider as mentioned in Tabe 1 and Table 2 of the Schedule shall integrate his business with FBR's computerized system for real-time reporting of provision of services.

2. Negative List of Services – Section 3(4)

The Bill has proposed insertion of new sub-section (4) in Section 3 which says that FBR may, whenever deemed necessary, shall subject to such conditions, restrictions and limitations, specify a Negative List of services that are exempt from ICT sales tax under this Ordinance, through notification in the official Gazette. Currently, only the services provided under Table 1 and 2 of the Schedule to the Islamabad Capital Territory (Sales Tax on Services) Ordinance, 2001 are taxable. After such negative list, it is expected that all the services will be deemed to be taxable unless specified in the negative list.

Significant Amendments in Petroleum Products (Petroleum Levy) Ordinance, 1961

Legislative changes

The Finance Bill proposes the introduction of a new Carbon Levy on petroleum products, including petrol, high-speed diesel, and furnace oil, in addition to the existing Petroleum Levy.

S. No	Financial Year	Carbon Levy (Rs. / Liter)
1	2025-26	2.5
2	2026-27	5

Furnace Oil (Bunker 'C') is also proposed to be added to the list of petroleum products subject to both the Petroleum Levy and the new Carbon Levy. The objective of this levy is to discourage excessive fossil fuel consumption and to generate essential funding for climate change mitigation and the promotion of green energy initiatives.

Additionally, the Finance Bill seeks to remove the Fifth Schedule of the Petroleum Levy Ordinance, which currently sets a ceiling on the maximum Petroleum Levy that the Federal Government is authorized to impose. Once this amendment is enacted, there will no longer be a statutory limit on the amount of Petroleum Levy that may be levied and collected by the government.

Significant Amendments in Federal Excise Act, 2005

1. Seizure and confiscation of counterfeited goods – Section 26 & 27

The Bill proposes measures to create deterrence and prevent illegal activities. The proposed amendments provides that any excisable goods manufactured or produced without proper tax stamps, or with counterfeit ones (such as banderols, stickers, labels, or barcodes), shall be liable to seizure along with the vehicle used for their transportation. Furthermore, these seized goods may also be subject to outright confiscation by the authorities.

2. Empowering the Board to authorize other officers – Section 27(4)

A new sub-section (4) is proposed to be inserted in Section 27, as pertains to confiscation of counterfeited excisable goods. The proposed enabling provision empowers the Board, by notification in the official Gazette, to authorize an officer from other Federal or Provincial Government to officiate as an officer of IRS.

3. Streamlining the pecuniary jurisdiction for appeals – Section 33, 34 & 34A

The process for filing appeals with the learned Commissioner (Appeals), the Hon'ble Appellate Tribunal Inland Revenue, and making references to the Hon'ble High Court has been streamlined.

Through the amendments made vide Finance Act, 2024, the pecuniary limit of the value of assessment for filing of appeal before the learned Commissioner (Appeals) was fixed upto Rs.5 million. Now, the Bill seeks to allow the filing of appeal before the learned Commissioner (Appeals) irrespective of any monitory limit.

However, a registered person is being given an option to directly file the appeal before Hon'ble Appellate Tribunal within thirty days of the receipt of the order.

The aggrieved person or the Commissioner may file a reference to the Hon'ble High Court within sixty days of the order of the Hon'ble Appellate Tribunal, stating any question of law arising out of such order.

4. FED withdrawn on allotment or transfer of immoveable property

FED was imposed on allotment or transfer of commercial property and first allotment/ transfer of open plots or residential property by any developer or builder at the varied rates 3%, 5% and 7% vide the Finance Act 2024. The Bill seeks to withdraw this FED all together. This will certainly be a sigh of relief for the real estate and construction industry.

Significant Amendments in the Customs Act, 1969

The Government announces the guiding principles adopted for the tariff rationalization under the Customs laws, which inter-alia include:

- To encourage growth through increased exports.
- To protect and benefit consumers.
- To make sure industries have access to affordable raw materials.
- To achieve economic independence.
- To create more job opportunities.
- To carry out the FBR's Transformation Plan effectively.
- To support innovation, improve efficiency, and boost productivity.

Legislative changes

- The Bill proposes to add a new clause in Section 2, to introduce 'Cargo Tracking System'(CTS). This system will electronically monitor and track cargo movements, helping to detect any smuggled or unpaid goods.

- The Bill suggests adding a new clause in Section 2, which defines e-Bilty as a transport document created using the Cargo Tracking System.

- Section 3A proposes to merge /reorganize the Directorate General of Intelligence and Investigation, Customs, and the Directorate General of Risk Management System. This will help improve intelligence collection, carry out focused operations, and enhance the Risk Management System.

- Through Section 3B, the Bill proposes to introduces a new Directorate General of Customs Auction to make the process of auctioning goods more organized and efficient.

- The Bill proposes to establish a new Directorate General of Communications and Public Relations under Section 3BBB. Its role is to share customs-related information to help businesses and keep all stakeholders informed and engaged.

- Section 19C lowers the minimum value limit for courier and postal parcels to PKR 500 in order to prevent misuse.

- Section 32, sub-section (3A), increases the minimum amount for starting legal action for violations from Rs. 20,000 to Rs. 100,000, as long as the recoverable amount is paid. This change is made to reduce the number of legal disputes.

- The Bill seeks to insert a new provision of subsection (6) in Section 80 for establishment of Centralized Assessment Units (CAUs) and Centralized Examination Units (CEUs) for transparent, speedy and uniform assessments.

- The Bill proposes to charge a penalty under Section 82 for cargo that is not claimed or cleared within the set time, helping to reduce congestion at the ports and speed up cargo movement.

- The Bill aims to encourage pre-arrival clearance by letting importers submit Goods Declarations before paying duties and taxes upfront.

- A new Section 187A has been added which states that any vehicle with a tampered chassis will be considered smuggled, no matter if it is registered with the authorities or not.

- Section 194A has been updated to simplify and shorten the time allowed for resolving cases and filing appeals with the Appellate Tribunal.

- The Bill proposes adding a new Section 225 to create Centralized Assessment Units (CAUs) and Centralized Examination Units (CEUs). These units will help ensure assessments are clear, fast, and consistent.

- The Bill proposes adding a new Section 226 to set up Digital Enforcement Units (DEUs) at important places. These units will use technology to improve efforts against smuggling.

Measures for Tariff Rationalization

- The Bill proposes to introduce new customs duty slab rates of 5%, 10%, and 15% as per amendments proposed in First Schedule to the Customs Act (which is also titled as First Schedule to the Finance Bill i.e. Page No.134 to 204.

- It also seeks to abolish the existing slab rates of customs duty 3%, 11%, and 16%.

- The existing zero-percent customs duty rate is proposed to apply on additional tariff lines totaling about 916 items, as may also be searched from the afore-stated First Schedule to the Finance Bill.

Reduction in Additional Customs Duty (ACD) Rates

- According to the Salient Features issued by the Government, the rates of Additional Customs Duty (ACD) are to be reduced w.e.f. 01 July 2025 on various imported items. However, the amendment customs notifications to this effect are expected to be issued in due course.

Measures to Provide Relief in Regulatory Duties

- It is also announced by the Government that rates of regulatory duty will be reduced or rationalized on several tariff lines introducing new slab rates of 0%, 2%, 4% and 6%, besides reduction in maximum slab of regulatory duty from 90% to 50%. However, amendment customs notifications to this effect are expected to the issued on or before 01 July 2025.

Substitution of Fifth Schedule to the Customs Act, 1969

Under Second Schedule to the Finance Bill, the Fifth Schedule to the Customs Act is proposed to the substituted completely to cover wide coverage of industrial duty concessions & exemptions, which inter-alia pertain to imports meant for agriculture, education, research & development, marble industry, granite, energy sectors, food sectors, etc. For sake of brevity, it is suggested that the respective industrial concessions may be reviewed on the basis of tariff headings through the Finance Bill (Page No.206-351).

Introduction of New Energy Vehicles Adoption Levy Act, 2025

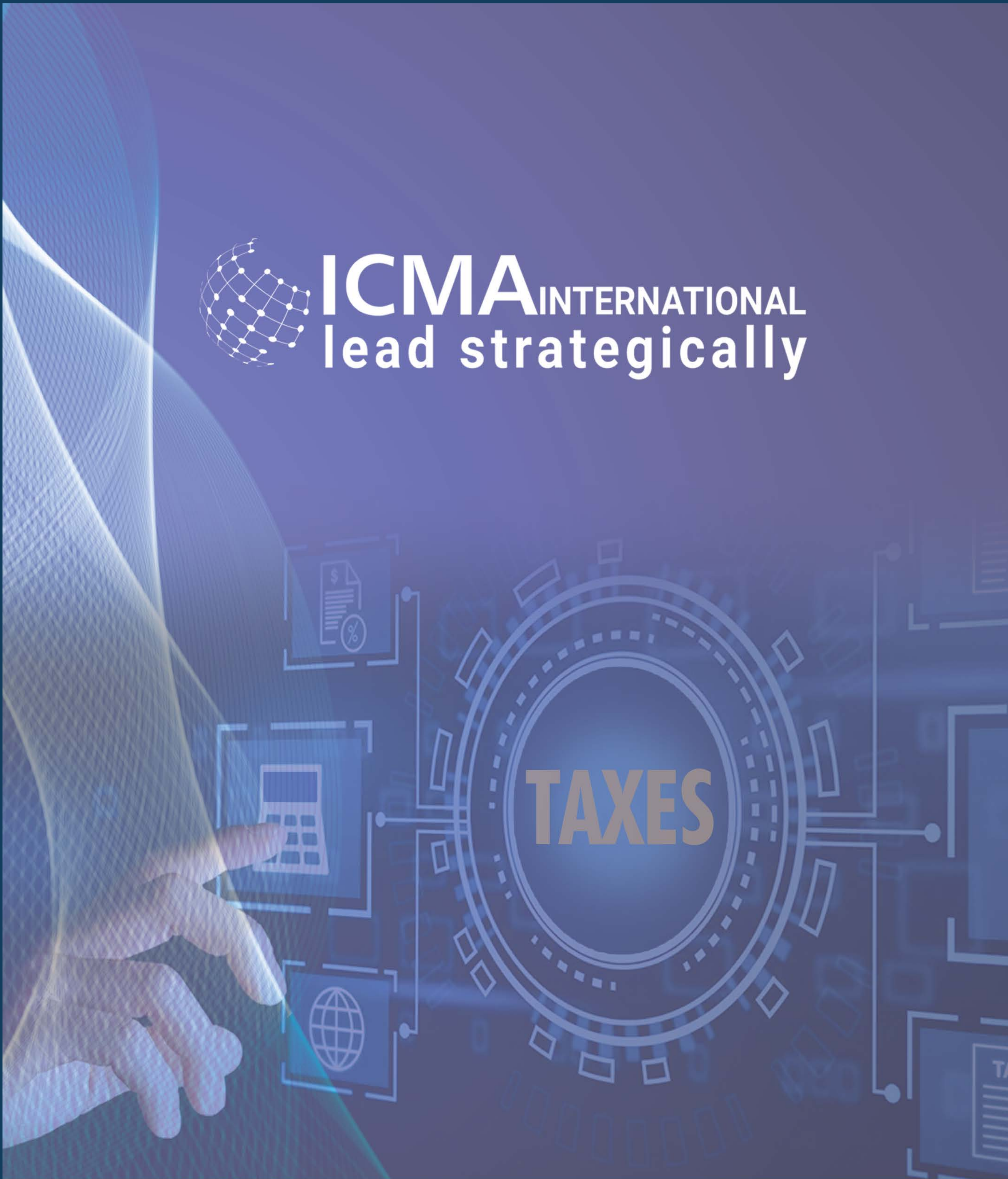
The Finance Bill introduces the New Energy Vehicles Adoption Levy Act, 2025, which aims to accelerate the transition from traditional internal combustion engine (ICE) vehicles to cleaner, environmentally friendly alternatives by imposing a levy on ICE vehicles. This legislation has been proposed in response to growing climate concerns and the need to promote sustainable transportation. The Act applies across Pakistan and takes immediate effect upon its enactment.

Under the new law, manufacturers and importers of internal combustion engine motor vehicles will be required to pay a levy at rates specified in the First Schedule of the Act. This levy will be collected in the same manner as customs duty on imported vehicles and as sales tax on locally manufactured vehicles, aligning its administration with existing tax frameworks for ease of compliance and enforcement. The Federal Government is empowered to revise rates or modify the list of vehicles subject to the levy through notifications, allowing flexibility in its application over time. The rates of the proposed the levy are provided in the First Schedule to the Finance Bill (Page Nos. 353-355).

Importantly, the levy does not apply to vehicles powered by new energy sources such as fully electric motors, plug-in hybrids with at least 50 km of electric-only range, or hydrogen fuel cells. Exemptions are also provided for vehicles manufactured or imported solely for export, vehicles owned by diplomatic missions or international organizations entitled to privileges, and any other category specifically exempted by the Federal Government. This selective application underscores the policy intention to nudge both consumers and manufacturers toward cleaner vehicle technologies while recognizing legitimate exemptions.

The proceeds from this levy will be earmarked exclusively for promoting the adoption of new energy vehicles, supporting related infrastructure development, and other climate-positive initiatives as determined by the Federal Government. The Act also grants rule-making powers to the government for implementing its provisions and provides a mechanism to resolve operational difficulties through appropriate orders.

Overall, the New Energy Vehicles Adoption Levy Act, 2025 represents a significant step toward implementing Pakistan's green agenda in the transportation sector. By creating a fiscal disincentive for fossil-fuel-based vehicles and channeling the revenues toward green technology support, the Act sets a clear policy direction for a sustainable future in mobility.



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