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Budget Brief 2024

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Preamble

The Finance Bill, 2024 has been presented in the National Assembly amid heavy expectations that the budget will be driven by the measures agreed with or suggested by the International Monetary Fund (IMF). Pakistan is facing some of the worst challenges in its history with respect to economy, growth and confidence of businesses / investors and it was expected that in addition to the measures suggested by the IMF, there would be some measures included by the Government that will focus on the broadening of tax base, revival of economy and restoration of the confidence of businesses / investors.

However, the Finance Bill, 2024 seems more focused on the old and much criticized approach of collecting more tax from the persons already in the tax net while hoping that the higher tax rates for non-filers will force non-tax paying persons to come in the tax net. This approach has resulted in continuous decline in the development and confidence of businesses as well as increase in cash based / undocumented economy to avoid the tax net.

While there are some good measures in the Finance Bill, 2024 that will enable the Government to collect more tax revenue, in most cases there seems to be a disconnect between the measures proposed by the Government and the measures suggested by the tax experts / chambers of commerce / economists. It is imperative for any proposed measures to be successful that the key stakeholders / advisors of the economy / businesses are on board with the measures proposed by the Government.

Lastly, there is still time for some deliberation before the Finance Bill, 2024 is approved by the National Assembly and the Senate. Therefore, we may see some changes made specially in the areas or sectors most impacted.

This document contains the changes proposed by the Finance Bill, 2024 in the areas of income tax, sales tax, customs duty and federal excise duty along with our comments thereon.

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Highlights

Income Tax

- Proposal for inclusion of a member of the FBR, to whom powers of the FBR have been delegated under section 8 of the Federal Board of Revenue Act, 2007, in the definition of "Board".
- Proposal for deduction of advance tax from the consideration paid or payable against acquisition of shares of a company, to be made at the time of payment or at the time of registration of shares by the Securities and Exchange Commission of Pakistan (SECP) or by the SBP, whichever is earlier.
- Proposal to allow carry forward of business losses for a period of ten (10) years in case of Pakistan International Airlines Corporation Limited.
- Proposal to clarify that tax credit under section 65F would be allowed on the income derived from the operations of coal mining projects only in Sindh, supplying coal to power generation projects.
- Proposal for tax exemption to the members of such Association of Persons (AOP) whose turnover is Rs. 300 million or more, subject to filing of duly audited financial statements along with return of income of AOP.
- Proposal for levy of higher rates for persons not appearing in the Active Taxpayers List (ATL) to be applicable on persons not filing return by the specified due date or the period extended by the FBR or the Commissioner.
- Proposal to disallow 25% of sales promotion, advertisement and publicity expense if a deduction has been claimed on account of royalty paid or payable to an associate.
- Proposal for restriction on foreign travel, for a citizen of Pakistan excluding persons having NICOP, minors, students and other classes of persons as notified by the FBR for non-filing of return if liable to file return of income.
- Proposal for disclosure of foreign assets in the wealth statement.
- Proposal to extend the Commissioner's powers for best judgment assessment in case where a person fails to file return of income in response to notice issued to the person discontinuing a business.
- Proposal to define the value of assessment of tax as the net increase in tax liability and value of refund as net reduction in refund of a person as a result of order sought to be assailed for the purpose of filing of appeal before the Commissioner Appeals and Appellate Tribunal.
- Proposal for extension of the cutoff date from 16 June 2024 to 16 September 2024, for transfer of appeals pending before Commissioner (Appeals) to Appellate Tribunal involving amount exceeding Rs. 20 million.
- Proposal to empower the Commissioner to reject the lower estimate of advance tax and estimate in absence of last assessed income where certain specified documents and details are not furnished along with such estimate. Further, 120% instead of 110% of turnover of latest tax year proposed in case where the turnover for the relevant quarter is not known.
- Proposal to empower the FBR to determine the minimum value of goods for the purpose of collection of advance tax on imports. Definition of value of goods proposed to include minimum value as notified by the FBR for this purpose.
- Proposal to convert the facility of exemption certificate to reduced rate certificate on supply of goods for both the residents and the permanent establishments of non-residents.
- Proposal to convert the facility of exemption certificate to reduced rate certificate for certain withholding tax provisions.
- Proposal to tax receipts from exports of goods under minimum tax regime which are currently taxed under final tax regime.
- Proposal to penalize and prosecute a person who has discontinued the business and has failed to

file the return in response to notice issued by the Commissioner Inland Revenue as under:

- a) Penalty higher of:
 - 0.1% of the tax payable per day; or
 - Rs. 1,000 per day (not exceeding Rs. 10,000 for individuals and Rs. 50,000 for all other cases).
 - b) Prosecution for offence punishable with fine up to Rs. 25,000 or imprisonment up to two (2) years.
- Proposal to penalize with sealing of the shops of the Shopkeepers on account of failure to register under the Tajir Dost Scheme or similar schemes in the event of non-registration as under:
 - Sealing for seven (7) days for first default; and
 - Sealing for twenty (20) days for second default.
 - Proposal for imposition of penalty on implementing agencies who fail to block sims or disconnect utilities or allow exit from Pakistan of non-filers as under:
 - Rs. 100 million for first default; and
 - Rs. 200 million for each subsequent default.
 - Proposal for imposition of penalty of 50% of the amount of tax involved for failure to deduct tax at the time of making payment for acquisition of shares or at the time of registration of shares by the SECP or the SBP, whichever is earlier.
 - Proposal for imposition of penalty on companies and AOPs for leaving the relevant particulars of return blank or filing incomplete particulars, at higher of:
 - Rs. 500,000; or
 - 10% of tax chargeable.
 - Proposal to prosecute companies and AOPs who commit default by leaving the relevant particulars of return blank or who file incomplete particulars as following:
 - a fine; or
 - imprisonment for one year; or
 - both of the above.
 - Proposal to prosecute for failure to get registered for Tajir Dost scheme with punishment of imprisonment which may extend to six (6) months, or with fine, or both.
 - Proposal to increase default surcharge on account of late payment of tax from 12% to KIBOR + 3%.
 - Proposal to authorize National Database Registration Authority (NADRA) to receive taxpayers' data to process and analyze the same for the purpose of broadening of tax base.
 - Manufacturers and commercial importers of certain specified sectors are currently obliged to collect advance tax from distributors, dealers and wholesalers at the time of sale. Proposal to now oblige all business sectors for collection of said advance tax.
 - Manufacturers, distributors, dealers, wholesaler and commercial importers of certain specified sectors are currently obliged to collect advance tax from the retailers at the time of sale. Proposal to now oblige all the business sectors for collection of said advance tax from the retailers.
 - Cases decided by the Appellate Authorities prior to the Tax Laws (Amendments) Act, (Act) proposed to follow the period of limitation provided under section 131 and 133 of the Income Tax Ordinance, 2001 (Ordinance) prior to commencement of the Act.
 - Significant increase in tax rates proposed for salaried and other than salaried persons.
 - Rate of tax on dividend received from mutual funds proposed to be enhanced from 15% to 25% in case 50% or more of income of mutual fund is derived from profit on debt with corresponding change in withholding tax provision.
 - Uniform rate of 15% proposed on capital gain on disposal of securities as well as on immovable properties which are acquired on or after 1 July 2024 for the persons whose names are appearing on the ATL. Whereas for persons who are not on the ATL at the acquisition and disposal dates, capital gain proposed to be taxed as normal income subject to minimum tax rate of 15%.
 - Proposal for increase in withholding tax rates on capital gain by mutual funds and REIT Schemes from 10% to 15%.

- Proposal for withholding tax rates for Toll manufacturer at 9% for company and 11% in other cases.
- Proposal for advance tax @ 1% of export proceeds in addition to withholding tax @ 1%.
- Advance tax collection rates in case of vehicle purchased proposed to be collected as a percentage of value of vehicles instead of fixed amounts.
- Tax collection on sale or purchase of immovable properties proposed to be collected at varying rates based on consideration received or fair market value instead of fixed rate. Similarly, rates for persons not appearing on the ATL proposed to be enhanced manifold.
- Separate rate of tax collection on sale or purchase of immovable property proposed for persons who though are on the ATL but did not file their returns of income within the due date or who are considered as 'late filers'.
- Withholding tax rates in case of certain persons not appearing on the ATL proposed to be increased substantially, e.g., in cases of mobile telephone from 15% to 75%.
- Exemption on subsidy granted by Federal Government proposed to be withdrawn.
- Withholding tax rate for distributors of cigarettes proposed to be enhanced from 1% to 2.5%.
- Benefit of reduction in tax liability of a fulltime teacher or researcher proposed to be withdrawn.
- Exemption from income tax as well as withholding of tax proposed to be extended up to 30 June 2025 for residents of former FATA & PATA.
- Proposal for amendments in Seventh Schedule for Banking Companies:
 - Bad debts classified as 'doubtful', provision for advances, off-balance sheet items or any other financial assets classified as performing, under-performing or non-performing under any applicable accounting standard are proposed not to be allowed; whereas only bad debts classified as 'loss' pertaining to non-performing assets under the Prudential Regulations proposed to be allowed.
 - Provisions or expected credit loss for advances and off-balance sheet items or any other financial assets existing before or after 1 January 2024 under IFRS 9 proposed not be allowed as expense or deduction.
 - Rule regarding inadmissibility of notional gain or loss under International Accounting Standards 39 and 40 proposed to be replaced by 'any applicable accounting standard or policy or any guidelines or instructions of SBP'.

Sales Tax

- Proposal to enhance the scope of 'tax fraud' by introducing specific instances which may constitute tax fraud, which was previously defined broadly.
- Proposal for levy of sales tax on advance payment to be reinstated in time of supply of goods.
- Pursuant to proposed omission of section 11, several new sections proposed to be inserted, which include provisions for limitation on issuing assessment orders, best judgment assessments and recovery of unpaid tax, failure to withhold sales tax, and limitations for assessments.
- Proposal for section 25 to be substituted to introduce a comprehensive framework for auditing sales tax affairs.
- Proposal for section 25AB to be inserted to empower an inland revenue officer to initiate an investigative audit for suspected tax fraud, with the Commissioner's prior approval, which may result in assessment of tax, blacklisting, imposition of penalties, disallowance of input tax or prosecution.
- Proposal for the rate of default surcharge to be changed from 12% to KIBOR + 3%.
- Proposal to introduce electronic invoicing system which will be implemented by a "licensed integrator". Section 23(3) proposed to be amended to obligate registered persons making taxable supplies to issue electronic invoices according to the FBR's specifications.
- Proposal for DAP fertilizer to be made part of Third Schedule to the STA, 1990. Previously it was subject to sales tax at a reduced rate of 5% under the Eighth Schedule to the STA, 1990.

- Proposal for abolishment of zero rating for local supplies of commodities, raw materials, components, parts and plant and machinery to registered exporters under Export Facilitation Scheme.
- Proposal for abolishing zero rating on certain products, including infant preparations, milk, and certain stationery items. Stationery items proposed to be taxed at 10%, while unpacked milk proposed to be exempted from sales tax.
- Proposal to exempt levy of sales tax on POL products (petrol, HSD, kerosine & light speed diesel) which was previously a zero-rated supply.
- Proposal to impose sales tax on supplies, imports of plant, machinery, and electricity in tribal areas at reduced rates: 6% and 12% for FY 2025 and FY 2026 respectively.
- Proposal to abolish sales tax exemption on certain items (such as stationery, tractors etc.) which have been either made subject to standard rate or reduced rate.
- Proposal for standard sales tax rate of 18% on medicaments in contrast to current rate of sales tax at 1%.
- Proposal for standard rate of sales tax on retailers of textile and leather which are integrated with the FBR's computerized system for real time reporting of sales.
- Proposal to introduce sales tax withholding at 80% for certain sectors (such as coal, cement, crush stone silica etc.).
- Proposal to charge sales tax at 18% ad-valorem on certain categories of cellular phones.
- Proposal for extension of the cutoff date from 16 June 2024 to 16 September 2024, for transfer of appeals pending before Commissioner (Appeals) to Appellate Tribunal involving amount exceeding Rs. 10 million.
- Proposal for FED on supply of sugar to manufacturers at Rs. 15 per kg.
- Proposal for FED rate on E-liquid for electric cigarette at higher of Rs. 10,000 per kg or 65% of retail price.
- Proposal for FED on Nicotine pouches at the rate of Rs. 1,200 per kg.
- Proposal for increase in threshold of on-pack printed retail price of locally produced cigarettes for determining rate of FED from Rs. 9,000 to Rs. 12,500.
- Proposal for increase in FED on cement from Rs. 2 per kg to Rs. 3 per kg.
- Proposal for increase in FED on filter rod for cigarettes from Rs. 1,500 per kg to Rs. 80,000 per kg.
- Installation / removal of plant and machinery having value exceeding Rs. 50 million without prior permission of Commissioner proposed to be an act of offence attracting penalty.
- Proposal for extension of the cutoff date from 16 June 2024 to 16 September 2024, for transfer of appeals pending before Commissioner (Appeals) to Appellate Tribunal involving amount exceeding Rs. 5 million.
- Proposal for continuation of limitation period of 60 days in case of filing of appeal before Appellate Tribunal and 90 days for filing of reference before High Courts against orders passed before commencement of the Tax Laws (Amendment) Act, 2024.
- Proposal for exemption from FED on imports by diplomats, diplomatic missions, privileged persons and privileged organization.
- Proposal to grant powers to seal business premises of retailers selling illicit cigarettes.

Federal Excise

- Proposal of Federal Excise Duty (FED) on Acetate tow at the rate of Rs. 44,000 per kg.
- Proposal of FED on allotment or transfer of commercial and first allotment or transfer of residential property at 5%.

Customs

- Proposal for exemption of Customs duties on Bovine lipid extract surfactant.
- Proposal for withdrawal of concession of customs duties on import of fresh and dry fruits.
- Proposal for reduction in concession of customs duties on import of Electric vehicles having value above USD 50,000.

- Proposal for incentivizing manufacturing of Solar Panels and Allied Equipment.
- Proposal for extension in scope of exemptions on import of machinery and equipment for farming and processing of Fish / Shrimp and Seafood.
- Proposal for increase of Customs duty on Import of Containers for Aerosol Products.
- Proposal for rationalization of Customs duty on import of parts of submersible pumps.
- Proposal for rationalization of Customs duties on import of Wheat, Sugar, HSD, LNG.
- Proposal for streamlining the imports of Aviation related Good.
- Proposal for establishment of Directorate General of National Targeting Centre (NTC), as a national single window of enforcement for all Law Enforcement Agencies (LEAs) and Directorate General of Trade Based Money Laundering for cognizance of offences related to trade-based money laundering.
- Proposal to empower Officers of National Command Authority (NCA) and Pakistan Nuclear Regulatory Authority (PNRA) for implementing and enforcing Customs Act.
- Proposal to add Intelligence Bureau (IB) in the list of Government agencies mandated to assist Customs in investigations.
- Proposal for assigning power for extension of detention period to Additional Collector or Additional Director for smooth functioning.
- Proposal for modification of some penal provisions.
- Changes proposed with the objective of making the system more efficient by accelerating the disposal of pending cases in the Customs Appellate Tribunal.
- Changes proposed with a view to ensure that the cases are swiftly decided in the High Courts and also to meet the principles of natural justice and fair trial.
- Proposal for strengthening the provision of Alternate Dispute Resolution mechanism.

Sectoral Analysis

Manufacturing industry

The cyclical nature of Pakistan's manufacturing sector plays a pivotal role in shaping the overall economy, as it is closely linked to its Composite Leading Indicator (CLI). Nonetheless, it would also be not wrong to say that manufacturing sector promotes domestic production as well as exports and generates employment, which eventually stimulates overall growth of an economy. Fluctuation in the manufacturing output have a cascading effect on other economic sectors. In terms of Economic Survey, Large Scale Manufacturing (LSM) sector reflected growth rate of 0.07%, driven by various groups including foods, beverages, textile, tobacco, petroleum and pharmaceuticals. This showed resilience and signs of recovery compared to last year, leaving no offsetting impact on the overall economic growth.

As a major shift in policy with respect to areas impacting common man, reliefs available earlier with respect to sales tax for food has been withdrawn which will have a major inflationary impact on the prices of food.

The Bill proposes to withdraw the benefit of the reduced rate of sales tax on locally manufactured hybrid electric vehicles. Additionally, the concession of customs duty on the import of electric vehicles valued at over \$50,000 is also proposed to be withdrawn.

However there are some relief measures where the Bill proposes exemption from customs duty on raw materials used in manufacture of PV modules, parts of solar inverters and lithium batteries as well as machinery and equipment imported by manufacturing units of solar cells, solar panels, solar inverters and solar batteries subject to conditions specified therein. These raw materials are currently subjected to custom duties ranging from 3% to 20%. In addition, general exemption earlier available from customs duty on Parts of PV modules is proposed to be substituted by specified conditions based exemption. These measures will assist in driving the prices of solar energy equipment downwards to reduce pressure on the energy production.

Further, the Bill proposes exemption from sales tax on supply of local iron and steel scrap as well as import

and local supply of petroleum products. This may help in reduction in prices of related construction or manufacturing areas. However, it has always been a challenge to completely pass on the benefits of any exemptions and relief measures to the common man due to lack of oversight and accountability.

Banking sector

The banking sector has seen significant growth in the past decade as the assets, liabilities and investments of the banks have doubled and tripled. However, this phenomenal growth is now at risk due to increase in interest rates, liquidity challenges and no incentives, infact extra reveue pressures, from the Government.

The policy of the Government to focus on tax collection mainly from profit making sectors especially the banking sector did not change as the Finance Bill, 2024 (Bill) did not propose any tax relief for this sector. On the contrary, the Bill has proposed that the impact of implementation of IFRS 9, made applicable on the banking sector by State Bank of Pakistan (SBP) with effect from 1 January 2024, be excluded from the calculation of taxable income. In addition, the Bill has also proposed inadmissibility of any notional gain and loss (except determined through reasonable accuracy) recorded in the financial statements arising on account of any accounting standard or policy or any guidelines or instructions of the State Bank of Pakistan which was previously restricted to application of International Accounting Standard (IAS) 39 and 40 only.

Goods exports sector

Foreign reserves are very critical to the economy of Pakistan and the Government has incentivized the export sector from time to time to support the same. In this context, tax at the rate of 1% was being collected from the exporters at the time of export proceeds realization which was final tax in the hands of the exporter. The exporters were also provided with the option to offer their income from exports under normal tax regime.

To bring equity in taxation of exporter of goods with the local industry, the Bill has proposed to bring the income of the exporter of goods under the normal tax regime i.e., on the basis of net profits subject to

normal business tax slabs as well as increase in the rate of advance tax from 1% to 2% which is proposed to be treated as a minimum tax.

These proposed changes will not only adversely impact the dire need of the country to increase its foreign reserves but are also likely to discourage the exporters from engaging in the business of exports or bringing the full revenue in Pakistan by creation of middle layers of entities outside Pakistan as well as underinvoicing.

Real estate sector

The Government has made many attempts in the past to bring this unregulated but most lucrative 'Real Estate' sector in the tax net so that this sector may also contribute towards the economy of the country. In this regard, the Government previously has taken a number of measures and steps to document the Real Estate sector and increase tax collection from it.

However, those measures resulted in increased overall tax liability for the buyers and the sellers of real estate that in turn affected the transaction volumes and prices. This led to adjustments in property values and encouraged the trend of filing NIL returns for the purpose of avoiding increased advance tax collection rates applicable in respect of persons not appearing in the ATL.

In continuation of those measures to further document the Real Estate sector and to encourage persons to file their true and correct returns of income, the Bill proposes that capital gains arising from disposal of immovable properties acquired on or after 1 July 2024, in case of a person not appearing in the ATL at the time of disposal, shall be taxed as per normal business income tax rates as well as significantly higher rates of advance tax for persons who are delayed filers and non-filers.

Retailers

The retail sector in Pakistan has been dynamic, with various factors influencing its growth and development. The retail business has shown significant growth in doing business from traditional methods to e-commerce platforms through availability of online marketplaces and smartphone penetration. The retail sector, however, also poses challenges in terms of non-documentation, little contribution towards tax revenue, infrastructure limitations, regulatory issues and economic fluctuations. In terms of Economic Survey, wholesale and retail trade share 30.8% in service industry with only 17.78% share in the GDP and 0.32% growth rate attributed to increase in output of crops in agriculture sector and LSM.

To boost growth in the retail trade sector as well as increase in documentation of the retail sector, it was imperative for the Government to come up with fiscal incentives, which however falls short in terms of withdrawal of tax reliefs currently available.

The Bill proposes to withdraw relief of reduced sales tax rate of 15% on supplies made from retail outlets that were integrated with the FBR's computerized system for real-time reporting of sales of textile and leather articles.

Further, in order to broaden the tax base, the Bill proposes to bring in the tax net manufacturers, distributors, dealers, wholesalers or commercial importers of all sectors as opposed to certain specified sectors earlier, besides increasing advance tax deduction rate on gross amount of sales to retailers from 1% to 2.5% in case of them not appearing in ATL of the FBR.

Income Tax

Definition of the Board enhanced

The Finance Bill proposes to enhance definition of the 'Board' by including a Member of the Federal Board of Revenue to whom powers of the board have been delegated under section 8 of the Federal Board of Revenue Act, 2007.

The proposed amendment seeks to amend section regarding delegation of powers of the Board thereby proposing that the powers of the Boards can only be delegated to any Government Agency, Chairman or the member of the Board and not the employee of the Board.

Advance tax introduced on sale of shares of unlisted company

The Finance (Supplementary) Act, 2023 introduced a requirement for the person acquiring shares of an unlisted company to deduct advance tax at the rate of 10% from the gross amount of consideration paid.

Now the Finance Bill proposes the requirement of deduction of advance tax from the gross amount paid or payable at the time of payment or at the time of registration of shares by the Securities and Exchange Commission of Pakistan (SECP) or by the State Bank of Pakistan (SBP), whichever is earlier.

A similar requirement was introduced in Rule 19H(8) of the Income Tax Rules, 2022 through SRO 776(I) of 2023. The rule mandates that the State Bank of Pakistan must not permit the transfer or registration of repatriable shares unless the seller provides a prescribed certificate from the Commissioner confirming that the tax liability has been discharged.

The proposed amendment introduces the requirement of registration with SECP or SBP to address situations where the transfer of shares occurs without involving payment.

Period extended to ten years for carry forward of business losses of PIA

As per Section 57 of the Ordinance, if a person sustains a loss for a tax year under the head 'income from business' and such loss cannot be adjusted against income under any other head of income, the

loss can be carried forward and adjusted against the person's income under the head 'income from business' for a maximum period of six tax years.

The Finance Bill proposes to insert a new sub-section whereby a loss sustained by Pakistan International Airlines Corporation Limited ('PIA') relating to tax year commencing on or after 1 January 2017 shall be carried forward for a period of ten years.

The proposed amendment is intended to create attraction for the investors interested in acquiring the Government's stake in PIA.

Tax Credit made restrictive to the income derived from operation of coal mining projects

Vide amendment through the Finance Act, 2021, section 65F was introduced allowing tax credit equal to one hundred percent of tax payable including minimum, alternate corporate tax, final taxes to following persons subject to fulfilment of certain conditions:

- Persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects; and
- A startup certified by the Pakistan Software Export Board.

The Finance Bill proposes to insert an explanation regarding persons engaged in coal mining projects, clarifying that the tax credit shall be available only for the income earned from coal mining operations.

This explanation aims to provide clarity and restrict benefit of the tax credit to the extent of income derived specifically from coal mining operations, therefore, excluding incomes under other heads such as profit on debt or income from other sources.

Taxation of association of persons and its members made subject to prescribed conditions

As per section 92, an association of person is liable to tax separately from the members of the association and where association has paid tax the amount

received by members out of income of the association becomes exempt.

The Finance Bill proposes to insert a new proviso which entails that in case an association of persons has a turnover of rupees three hundred million or more during the tax year or any of the preceding tax years, the share of a member will not be exempt from tax unless the association files financial statements duly audited by a firm of Chartered Accountants or a firm of Cost and Management Accountants along with the income tax return.

Special provisions relating to persons not appearing in active taxpayers' list

Through the Finance Act, 2019, section 100BA and the Tenth Schedule to the Ordinance were inserted, specifying special provisions regarding the collection or deduction of advance income tax, computation of income, and tax payable thereon for persons not appearing on the active taxpayers' list.

Now, the Finance Bill proposes to enhance the scope of the Tenth Schedule to include those persons though appearing on the active taxpayers' list, but have not filed return by the due date specified under the Ordinance or as extended by the Commissioner or the Board.

The proposed amendment is intended to restrict the late filing culture, increase the number of filers by the due date specified under the law, and maximize compliances by introducing the concept of late filers alongside non-filers and discourage stop filers.

Royalty payments to associates and allocation of sales promotion expenditure

Finance Bill proposes to insert a new sub-section (6) in section 108 to introduce that for the tax year 2024 and onwards, if any amount is claimed as a deduction for the tax year or for any of the two preceding tax years on account of royalty paid or payable to an associate, directly or indirectly, the twenty-five percent of the total expenditure for the tax year in respect of sales promotion, advertisement, and publicity shall be disallowed and allocated to the said associate.

Royalty as defined in the Ordinance means the use of or right to use of any brand name, logo, patent, invention, design or model, secret formula or process, copyright, trademark, scientific or technical knowledge, franchise, license, intellectual property, or other similar property or right, or contractual right.

Power enhanced to enforce filing of returns by restricting foreign travel

To encourage filing of return, the Finance Bill proposes to impose restrictions on foreign travel for Pakistani citizens. However, these restrictions shall not apply to individuals holding National Identity Card for Overseas Pakistanis (NICOP), minors, students, and other classes of persons as notified by the Board.

The proposed amendment aims to promote a culture of filing of returns of income in Pakistan.

Requisite wealth statement to include foreign assets as well

The Commissioner is empowered to require any individual to furnish wealth statements in a prescribed form and manner, providing particulars of assets and liabilities.

The Finance Bill proposes that assets will include foreign assets in the wealth statement.

Best judgment assessment

The Bill proposes to extend the scope of best judgment assessment under section 121 of the Ordinance. This extension will now include cases where an individual or entity is directed to file a return of income following the discontinuance of their business operations.

This amendment aims to ensure that tax obligations are accurately assessed and fulfilled even in situations where a business ceases to operate, thereby maintaining compliance and accountability in the tax system.

Pecuniary jurisdiction of appeals explained

Section 126A was introduced vide by Tax Laws (Amendment) Act 2024 to provide pecuniary jurisdiction of appeals.

Finance Bill now provides explanation that for the purpose of this section value of assessment of tax matters means the net increase in tax liability and value of refund means net reduction in refund as a result of order sought to be assailed.

Under this section, the cases pending before Commissioner Appeals were specified to be transferred to Appellate Tribunal on and from 16 June 2024 but this date has now been proposed to be substituted by 16 September 2024. The extension is proposed in view of huge amount of cases due to be

transferred because of monetary limit specified and inability to issue decisions before 16 June 2024.

Failure to provide turnover gives rise to adoption of turnover equal to 120% of the latest tax year; and Commissioner empowered to reject the estimate without prescribed details / evidence

Currently, where the taxpayer is company or association of person, the amount of advance tax for the quarter shall be computed according to latest assessed tax to turnover ratio applied to the turnover for the quarter. However, where the taxpayer fails to provide the turnover or the turnover for the quarter is not known, it was deemed to be 1/4th of the 110% of the turnover of the latest tax year for which a return has been filed.

The Finance Bill proposes to enhance the percentage from 110% to 120% in respect of the turnover of the latest tax year for which a return has been filed by applying 1/4th to arrive at the for the quarter.

Further, the Finance Bill proposes to empower the Commissioner to reject the estimate of the taxpayer after providing opportunity of being heard, if not satisfied with documentary evidence provided or where an estimate of the amount of tax payable is not accompanied by details mentioned below, where taxpayer makes lower estimate at any time before the last installment is due or advance tax is estimated to be payable in the absence of last assessed income or declared turnover, as the case may be, containing:

- Turnover for the completed quarters of the relevant tax year
- Estimated turnover for the remaining quarters
- Supporting evidence of expenses or deductions in computing income
- Evidence of tax payments and tax credits
- Computation of estimated taxable income.

In such case, the taxpayer shall pay advance tax according to the formula set out in sub-section (4) i.e. by applying tax to turnover ratio of latest tax year as applied on turnover for the quarter.

Board empowered to prescribed minimum valuation of goods for collection of tax at import

Currently, the value of goods for the purpose of tax collection under section 148 are determined as per Customs Act, 1969.

The Finance Bill proposes to introduce new sub-section 6A, whereby, the Board, through notification in the official Gazette, may determine the minimum value of goods for the purpose of collection of advance tax on import.

The Bill also proposes to extend the definition of 'value of goods' to include minimum value as notified by the Board as if such goods were subject to ad valorem duty as increased by the custom duty, FED and sales tax in respect of import of the goods.

Withholding of tax at reduced rate on payments to Permanent Establishment (PE) of non-resident

Currently, the Commissioner is empowered to issue withholding tax exemption certificate or reduced rate certificate for payment to PE of a non-resident person.

The Finance Bill proposes to restrict the power of the Commissioner to issue reduced rate tax withholding certificate where the tax deductible is not a minimum tax.

Issuance of reduced rate certificate on payments to resident persons

Currently, the Commissioner is empowered to issue exemption certificate or reduced rate certificate under section 153(4) subject to discharge of advance tax liability.

The Finance Bill proposes to restrict power of the Commissioner to issuance of reduced rate certificate only.

This proposal aims to ensure documentation of value chain. However, the amendment does not specify whether the reduced rate can be at zero percent or any other rate even in the case where the advance tax liability has already been discharged by the person. This ambiguity needs to be addressed.

Minimum tax regime introduced for export of goods

Export of goods are currently taxable under final tax regime except where the person opts not to be taxed under final taxation. For this purpose, the person is

currently required to exercise this option every year at the time of filing of return.

The Finance Bill now proposes to change the tax regime for export of goods to minimum tax. Consequently, the requirement for exercising option to be taxed under normal tax regime proposed to be omitted.

Taxation under minimum tax regime is proposed to apply on income arising from exports of goods. For this purpose, amendments have also been proposed in sections 168 and 169 to exclude tax deducted on exports proceeds from the list of final taxation.

Issuance of lower rate certificate instead of withholding tax exemption certificate

Section 159 empowers the Commissioner to issue withholding tax exemption certificate or lower rate certificate in case income is either exempt or subject to lower tax rate or the amount is subject to hundred percent tax credit.

The Finance Bill proposes to restrict the powers of the Commissioner to issuance of lower rate certificate only.

Penalties provisions extended for non-compliances of various provisions

The salient features of the proposed additions to the penalty provisions in the Table under section 182 are as follows:

S. No.	Description	Penalty	Relevant section
1B	Where any person fails to furnish a return of income as required under sub-section (3) of section 117 within the time specified in the notice.	Such person shall pay a penalty equal to higher of: 0.1% of the tax payable in respect of that tax year for each day of default; or Rs. 1,000 per day of default: Provided that minimum penalty shall	117(3)

S. No.	Description	Penalty	Relevant section
		be Rs.10,000 in case of an individual and Rs.50,000 in all other cases.	
3A	Where any person being a trader or a shopkeeper who is required to apply for registration under this Ordinance but fails to register or fails to pay advance tax as specified in a scheme of special procedure prescribed under section 99B.	The shop of such person shall be sealed for seven days for first default and for twenty-one days for each subsequent default	99B
10A	Any person who fails to comply with income tax general order issued by the Board within fifteen days of issue of such order.	Such person shall pay penalty of one hundred million rupees for first default and two hundred million for each subsequent default.	114B
12A	Where any person fails to pay tax at the time of making payment as consideration of shares or at the time of registration of shares by the Securities and Exchange Commission of Pakistan or	Such person shall pay a penalty equal to fifty percent of the amount of tax involved.	37(6)

S. No.	Description	Penalty	Relevant section
	the State Bank of Pakistan, whichever is earlier		
35	<p>Any company and an association of persons who</p> <ul style="list-style-type: none"> - fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer; - furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or - attaches blank or incomplete annexures, statements, or documents where such annexures, statements or records were required to be filed. 	Such company, including a banking company and an association of persons shall pay a penalty of Rs.500,000 or 10% of the tax chargeable on the taxable income, whichever is higher.	114(2)

Prosecution provisions extended for non-compliance with certain statutory obligations

Section 191 provides list of statutory non-compliances subject to punishment of fine or imprisonment for a term not exceeding one year, or both.

The Finance Bill proposes that any person who has discontinued the business or is likely to discontinue the business fails to file the return of income upon service of notice by the Commissioner within the time specified shall be liable for prosecution under section 191 of the Ordinance.

Prosecution for failure to furnish information in return of income

The Finance Bill proposes to extend scope of punishment on incorrect or non-declaration of particulars and information required under the Ordinance by adding new section 191A which states that any company including a banking company and an association of persons who:

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

shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both.

Prosecution for non-registration by the person required to be registered

Section 99B empowers Board to specify special procedures for taxation of small traders and shop keepers. The Board vide SRO 457(I)/2024 dated 30 March 2024 prescribed special procedure in this regard. Last date of registration under the said SRO was 30 April 2024.

The Finance Bill proposes that small trader and shop keeper, who are required to apply for registration but fail to do so shall commit an offence punishable on conviction with imprisonment for a term not exceeding six months or fine or both.

Rate for computation of default surcharge enhanced

The Finance Bill proposes to change the rate of default surcharge from fixed rate of twelve percent to KIBOR plus three percent to harmonize with State Bank of Pakistan.

Enabling provision for disclosing information by public servants to NADRA for broadening of tax base

Earlier through Finance Act, 2018, the restriction on disclosure of information by a public servant to NADRA was precluded for the purpose of broadening the tax base. However, the same was excluded vide Finance Act, 2022.

Now, through the Finance Bill, NADRA has once again been proposed to be included in the list to whom access of information can be provided by the public servants for the purpose of broadening of tax base.

Advance tax on sales to distributors, dealers and wholesalers

Section 236G provides for collection of advance tax on sales to distributors, dealers and wholesalers of by manufacturer and commercial importer of specified twenty-one sectors.

Through the Finance Bill, it has been proposed to extend the scope of advance tax to all distributors, dealers and wholesalers without restriction to any specified sectors.

Advance tax on sales to retailers

Section 236H provides for collection of advance tax on sales to retailers by manufacturer, distributor, dealer, wholesalers or commercial importer of specified twenty one sectors.

Through the Finance Bill, it has been proposed to extend the scope of advance tax to all retailers without any sector restriction.

Saving to the time limit provided for filing of appeals to the Appellate Tribunal or reference to High Court

Through the Tax Laws (Amendment) Act, 2024 [the Act], time limit for filing of appeal to the Appellate Tribunal or reference to High Court was amended.

Through the Finance Bill, the period of time limitation in respect of the appeals received prior to the

commencement of the Act not to be affected by the commencement of the Act, however, wordings are still vague and need to be addressed for more clarity.

First Schedule

(Division I, Part I, First Schedule)

Tax on Salaried Individuals increased

The Finance Bill proposes to revise the tax rates for salaried individual. The comparison of existing and proposed rates are as follows:

Taxable income (Rs.)	Existing Rate	Proposed Rate
Upto 600,000	0	0
600,001 to 1,200,000	2.5% of the amount exceeding Rs. 600,000	5% of the amount exceeding Rs. 600,000
1,200,001 to 2,200,000	Rs. 15,000 plus 12.5% of the amount exceeding Rs. 1,200,000	Rs. 30,000 + 15% of the amount exceeding Rs. 1,200,000
2,200,001 to 2,400,000		Rs. 180,000 + 25% of the amount exceeding Rs. 2,200,000
2,400,001 to 3,200,000	Rs. 165,000 plus 22.5% of the amount exceeding Rs. 2,400,000	
3,200,001 to 3,600,000		Rs. 430,000 + 30% of the amount exceeding Rs. 3,200,000
3,600,001 to 4,100,000	Rs. 435,000 plus 27.5% of the amount exceeding Rs. 3,600,000	
4,100,001 to 6,000,000		Rs. 700,000 + 35% of the amount exceeding Rs. 4,100,000
6,000,001 and above	Rs. 1,095,000 plus 35% of the amount exceeding Rs. 6,000,000	

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

Gross Salary (Rs.)	Tax Liability		Tax incidence	
	Existing (Rs.)	Proposed (Rs.)	(reduction) / increase (Rs.)	(reduction) / increase (%)
600,000	0	0	0	0
1,200,000	15,000	30,000	15,000	100
2,400,000	165,000	230,000	65,000	39.39
3,600,000	435,000	550,000	115,000	26.44
6,000,000	1,095,000	1,365,000	270,000	24.66
10,000,000	2,495,000	2,765,000	270,000	10.82

Tax on Individuals (other than salaried individual) and AOP increased

The Finance Bill proposes to revise the existing tax rates for AOP and individuals other than salaried individual. The comparison of existing and proposed rates are as follows:

Taxable income (Rupees)	Existing Rate	Proposed Rate
Upto 600,000	0	0
600,001 to 800,000	7.5% of the amount exceeding Rs. 600,000	15% of the amount exceeding Rs.600,000
800,001 to 1,200,000	Rs. 15,000 plus 15% of the amount exceeding Rs. 800,000	
1,200,001 to 1,600,000	Rs. 75,000 plus 20% of the amount exceeding Rs.1,200,000	Rs. 90,000 plus 20% of the amount exceeding Rs.1,200,000
1,600,001 to 2,400,000		Rs. 170,000 plus 30% of the amount exceeding Rs.1,600,000
2,400,001 to 3,000,000	Rs. 315,000 plus 25% of the amount exceeding Rs.2,400,000	Rs. 650,000 plus 40% of the amount exceeding Rs.3,200,000
3,000,001 to 3,200,000		
3,200,001 to 4,000,000	Rs. 465,000 plus 30% of the amount exceeding Rs.3,000,000	
4,000,001 to 5,600,000	Rs. 765,000 plus 35% of the amount exceeding Rs.4,000,000	Rs. 1,610,000 plus 45% of the amount exceeding Rs.5,600,000
5,600,001 and above		

(Division III, Part I, First Schedule)***Tax on Dividend on Mutual funds deriving more than 50% from profit on debts increased***

The Finance Bill proposed to insert proviso to tax @ 25% on dividend received from mutual funds deriving 50% or more of their income from profit on debt. Accordingly, the corresponding change has also been proposed for withholding of tax under section 150 under Division I of part III to the First Schedule.

(Division VII, Part I, First Schedule)***Tax on Capital gains on securities increased***

The Finance Bill proposes to prescribe 15% tax rate on gain on disposal of securities acquired on or after 01 July 2024 for persons appearing of Active Taxpayer's list on the date of acquisition and the date of disposals.

Gain on disposal of securities by persons not appearing on Active Taxpayer's list on the date of acquisition and the date of disposals shall be taxable at the progressive slab rate specified in *Division I* for individuals and AOP (this rate shall not be less than 15% in any case) and at corporate tax rate specified in *Division II* for companies.

Finance Bill also proposes omission of existing clause (i) to the first proviso being redundant having no effect.

The Finance Bill has also proposed to increase the tax rates for deduction of capital gain tax by mutual funds or collective investment scheme or REIT Scheme on redemption of securities as per table below:

Category	Rate of Tax	
	Existing	Proposed
Individual and AOP	10% for stock / other funds	15% for stock / other funds
Companies	10% for stock & 25% for other funds	15% for stock & 25% for other funds

It is proposed that in case of Stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be increased from 12.5% to 20%.

Currently, no capital gain tax is applicable if the holding period of the security is more than 6 years.

The Finance Bill has proposed to provide for holding period of 6 years to be recognized for the security acquired on or before 30 June 2024. This proposed change gives rise to interpretation that security acquired after 30 June 2024 may attract capital gain tax even if holding period exceeds 6 years.

The rest of the provisions under this Division have been proposed to be kept intact.

**Please refer to our detailed comments on applicability of penalty, prosecution and enhanced rates for persons not appearing in ATL as proposed by Finance Bill at respective pages of this publication.*

(Division VIII, Part I, First Schedule)***Tax on gain on Immovable Property increased***

The Finance Bill 2024 proposes to prescribe 15% tax rate on gain on immovable properties acquired on or after 01 July 2024 for persons appearing of Active Taxpayer's list on the date of disposal of the property. Gain on disposal of property by persons not appearing on Active Taxpayer's list on the date of disposal of property shall be taxable at the progressive slab rate specified in *Division I* for individuals and AOP (this rate shall not be less than 15% in any case) and at corporate tax rate specified in *Division II* for companies.

It is to be noted that uniform rate of 15% has been proposed without categorizing into open plots, constructed property and flats as currently exist.

**Please refer to our detailed comments on applicability of penalty, prosecution and enhances rates for persons not appearing in ATL as proposed by Finance Bill at respective pages of this publication.*

(Division III, Part III, First Schedule)***Tax on goods and services increased***

The Finance Bill proposes to increase in rate of withholding tax on payments on account of *toll manufacturing*. The comparative is summarized in the below table:

Person	Previous tax rate	Proposed tax rate
Company	5 percent	9 percent
Other than company	5.5 percent	11 percent

(Division IV, Part III, First Schedule)***Tax on exports***

The Finance Bill proposes deduction of 1 percent tax from export proceeds as an advance tax, in addition to existing rate of 1% for deduction of tax from export proceeds.

(Division V, Part IV, First Schedule)***Advance tax on telephone users increased***

The Bill proposes collection of tax in case of persons mentioned in income tax general order issued under section 114B i.e. person not appearing in ATL at the rate of 75% of the bill amount or sale price of internet or pre-paid card or prepaid telephone card or sale of unit to any form of electronic medium or whatever form.

(Division VII, Part IV, First Schedule)***Advance tax on Motor Vehicles increased***

Finance Bill proposes to substitute the existing rate of tax on purchase, registration, and transfer of motor vehicle under section 231B. Currently, the tax on vehicles up to 2000cc and on the basis of value of motor vehicle on vehicles whose engine capacity exceeding 2000cc, however Finance Bill proposes to levy tax rate on the value of the vehicle under prevailing engine capacity. Existing and proposed rates of tax as per value of the vehicle are summarized below:

S. No.	Engine capacity	Existing tax amount/ rates	Proposed tax rates
1	Upto 850 cc	Rs. 10,000	0.5% of the value
2	851cc to 1000cc	Rs. 20,000	1% of the value
3	1001cc to 1300cc	Rs. 25,000	1.5% of the value
4	1301cc to 1600cc	Rs. 50,000	2% of the value
5	1601cc to 1800cc	Rs. 150,000	3% of the value

S. No.	Engine capacity	Existing tax amount/ rates	Proposed tax rates
6	1801cc to 2000cc	Rs. 200,000	5% of the value
7	2001cc to 2500cc	6% of the value	7% of the value
8	2501cc to 3000cc	8% of the value	9% of the value
9	Above 3000cc	10% of the value	12% of the value

(Division X, Part IV, First Schedule)***Advance tax on sale / transfer of immovable property increased***

The Finance Bill proposes to introduce a progressive slab of tax rate for the sale or transfer of immovable property, which is currently collected at a flat rate of 3 percent. The proposed rates of tax are given in below table:

S. No.	Amount of consideration received	Tax Rate
1	Upto Rs. 50 million	3%
2	Exceeding Rs. 50 million but does not exceed Rs. 100 million	3.5%
3	Exceeding Rs. 100 million	4%

(Division XVIII, Part IV, First Schedule)***Advance tax on purchase of Immovable Property increased***

The Finance Bill proposes to introduce a progressive slab of tax rate for the purchase of immovable property, which is currently collected at a flat rate of 3%. The proposed rates of tax are given in below table:

S. No.	Amount	Tax Rate
1	Upto Rs. 50 million	3%
2	Exceeding Rs. 50 million but does not exceed Rs. 100 million	3.5%
3	Exceeding Rs. 100 million	4%

Second Schedule

Part I – Exemptions from total income

Subsidies subject to tax

Finance Bill proposes to withdraw the tax exemption on income from subsidy granted by the Federal Government for implementation of its orders.

Time limit extended for exemption granted to Tribal Areas

Clause (145A) provide exemption to income as was exempt under the Constitution prior to the (Twenty-fifth Amendment) Act, 2018 for individual domiciled or company and association of persons resident in the Tribal Area forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan, up to 30 June 2023 which was extended for one-year up to 30 June 2024.

Now Finance Bill proposes to further extend this exemption up to 30 June 2025.

Part II – Reduction in tax rates

Enhancement in withholding tax rate for Distributors of Cigarette

Currently, 1% rate is applicable for withholding of tax on gross amount of payment made to distributors of cigarettes under section 153(1)(a).

The Finance Bill proposes to enhance this rate to 2.5%.

Part III – Reduction in tax liability

Withdrawal of Tax Credit for Full-time Teachers and Researchers

Finance Bill proposes to withdraw 25% reduction in tax liability on salary income of full-time teachers and researchers employed in recognized non-profit educational or research institutions.

Part IV – Exemptions from specific provisions

Period extended for one more year for exemption provided for withholding of tax to Tribal Areas

Currently, exemption from withholding taxes under the Constitution prior to the (Twenty-fifth Amendment) Act, 2018 for individual domiciled or company and association of persons resident in the Tribal Area forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan, is valid up to 30 June 2024.

The Finance Bill proposes to extend this time limit for one more year till 30 June 2025.

Seventh Schedule - Banking Companies

Provisioning of advances, off-balance sheet items or other financial assets under applicable accounting standard including IFRS 09 no more an allowable tax expense

Finance Bill proposes that deductions related to advances, off-balance sheet items, or any financial asset categorized as performing, underperforming, or non-performing under applicable accounting standards including IFRS 09 shall not be allowed as expense.

Only bad debts classified as loss pertaining to non-performing assets under the Prudential Regulations issued by the State Bank of Pakistan shall be allowed as an expense.

Disallowance of Provisions or Expected Credit Loss under IFRS 09

Finance Bill proposes a new rule, whereby provisions or expected credit loss for advances and off-balance sheet items, or any other financial asset existing before or after 01 January 2024 under IFRS 09, will not be allowed as an expense or deduction.

Disallowance of provision against investments

Finance Bill proposes (instead of restriction application of only international accounting standards 39 and 40) to exclude any adjustments made in annual accounts, under any applicable accounting standards, policies, guidelines or instructions of State Bank of Pakistan, when computing taxable income.

Applicability of Super Tax for Banks

The Finance Bill proposes to clarify that the super tax under section 4C is applicable to banks for the tax year 2023 and all subsequent years.

Tenth Schedule

Higher Rates prescribed for certain non-filers

Finance Bill proposes to introduce progressive / enhanced withholding tax rates for certain non-filers:

S. No.	Section Reference	Rate of tax									
		Existing	Proposed								
	Section 236K on purchase of immovable property	7.5% (250% of filer rate)	<table border="1"> <thead> <tr> <th>Value of property</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>up to 50 million rupees</td> <td>12%</td> </tr> <tr> <td>between 50 to 100 million rupees</td> <td>16%</td> </tr> <tr> <td>value above 100 million rupees</td> <td>20%</td> </tr> </tbody> </table>	Value of property	Rate	up to 50 million rupees	12%	between 50 to 100 million rupees	16%	value above 100 million rupees	20%
Value of property			Rate								
up to 50 million rupees			12%								
between 50 to 100 million rupees			16%								
value above 100 million rupees	20%										
	30%	35%									
	6%	10%									
	0.2%	2%									
	Section 236H for retailer	1%	2.5%								

New Tax Rate Category introduced for Late Filers

Finance Bill proposes a new tax rate category for late filers by insertion of Rule 1A, whereby those filing return after the due date or extended date, will incur a higher rate as compared to filers but lower than that for non-filers.

Given that withholding tax under section 236C and 236K for late filers on purchase and sale or transfer of immovable property, respectively proposed as under:

Value of property	Rate
up to 50 million rupees	6%
between 50 to 100 million rupees	7%
value above 100 million rupees	8%

Progressive tax rates for non-filers on disposal of securities

Finance Bill proposes to insert sub-rule (y) to Rule 10 whereby tax collected under section 37A is excluded from the purview of the Tenth Schedule due to the reason that progressive tax rates for non-filers are introduced, with a minimum of 15% based on prescribed slab rates in Division I of Part I of the First Schedule, on the disposal of securities.

Sales Tax

Definitions

Adoption of definitions from the Income Tax Ordinance, 2001

The Bill proposes to align the following definitions with the Income Tax Ordinance, 2001 (ITO, 2001):

- a. The definition of 'Associates' is proposed to be adopted as provided in section 85(1) of the ITO, 2001. Due to the adoption, the application of section 85(1)(iii) of ITO, 2001 covering transactions involving person of a jurisdiction with zero taxation regime, may require further elaboration from the legislator under indirect tax law.
- b. The definition of 'Board' is proposed to be adopted as provided in section 2(8) of the ITO, 2001.

Broadening the scope of tax fraud

The Bill proposes to enhance the scope of tax fraud in case of intentional tax evasion or obtaining undue refund and specifying incidences that may lead to tax fraud, which may include the following:

- Suppression of taxable sales / receipts
- False claim of input tax
- Supply of taxable goods without tax invoice
- Issuance of tax invoice without actual supply of goods leading to inadmissible claim of input tax / refund
- Tax evasion by availing undue input tax or claim of inadmissible refund by any other means
- Failing to deposit any amount collected as tax after expiry of three months from due date of payment
- Creating or using false financial records, documents, or information to evade taxes or claim inadmissible refunds, whether through human, mechanical, or electronic methods

- Tampering or destroying any evidence / documents required to be maintained, or
- Dealing with goods which are liable to confiscation.

Further, the Bill proposes to treat the incidences as intentional unless the person accused proves otherwise.

Time of supply for advance payment

The Bill proposes amending the definition of 'time of supply' for goods to include advance payments, which was earlier omitted by the Finance Act 2021. This will account for sales tax on advance payment or actual delivery or availability of goods, whichever is earlier.

Value of supply

The Bill proposes to extend powers of the Board to fix the value of imported goods classified under the Third Schedule.

Restructuring of assessments

The Bill proposes to restructure the procedure related to assessments and recovery of tax, through omission of section 11, substitution of section 11B and insertion of sections 11D to 11G.

Aligning limitation for issuing orders with ITO, 2001

The Bill proposes substitution of section 11B to align powers of time limitation for assessment orders or to give effect to orders passed by the higher fora / courts in line with section 124 of the ITO, 2001.

Best judgment assessment introduced

Section 11D proposes to empower an officer, not below the rank of Assistant Commissioner, to make best judgment assessment against persons who fail to furnish the return in response to notice under section 26(2A) or who fail to furnish information / documents required under section 25 and 38A of the STA, 1990.

Assessment and recovery of tax

The Bill proposes insertion of section 11E for the assessment and recovery of tax not / short levied or erroneously refunded which is parallel to specific

provisions of section 11, which is proposed to be omitted.

Failure to withhold sales tax

The Bill proposes insertion of section 11F for assessment of sales tax withholding, which is parallel to specific provisions of section 11, which is proposed to be omitted.

Limitation for assessment

The Bill proposes to insert section 11G to cover provisions of time limitation for issuance of show cause notices and orders which have already been prescribed in section 11(5), which is proposed to be omitted.

Other important amendments

Commissioner's order for blacklisting

The Bill proposes that the Commissioner is required to issue an order of blacklisting under governing section 21. The same power is already available under Rule 12 of Chapter I to the Sales Tax Rules, 2006.

The Bill further proposes to provide *suo moto* powers to the Chief Commissioner to call for and examine records of blacklisting proceedings and modify the order, either of his own motion or on application made by the registered person.

Mandating electronic invoicing system

The Bill proposes compulsory requirement for issuance of electronic invoices, subject to such conditions, restrictions and limitations as may be specified by the Board.

The requirement of persons to integrate their electronic invoicing system with the Board's computerized system for real-time reporting of sales tax has been moved to newly proposed section 40C(4) following the proposed omission of section 3(11).

The above integration is proposed to be carried out through a licensed integrator as may be prescribed. Whereas 'licensed integrator' means any person licensed by the Board to provide electronic invoicing system for integration of registered persons in the prescribed manner.

Revamping audit of sales tax affairs

The Bill proposes to amend section 25 with the following key changes:

- The Commissioner may direct the Officer of Inland Revenue not below the rank of Assistant

Commissioner to conduct audit of sales tax affairs of any registered person.

- The powers of the Commissioner to conduct the audit is independent of powers of the Board.
- The Commissioner shall communicate the reasons of audit through the notice to the registered person. These reasons shall not include mere verification of input tax, output tax, refund claims and compliance of legal provisions without identifying the risk factors.
- The Officer of Inland Revenue shall not call for record of the registered person after expiry of six years from the end of the financial year to which they relate.
- The Officer of Inland Revenue shall conduct audit of the sales tax affairs based on the record and evidence obtained and other documents maintained or furnished.
- The Officer of Inland Revenue may proceed to make best judgement assessment where the taxpayer failed to provide information, electronic machines or any other data.
- During the audit, the Officer of Inland Revenue suspects that such person is involved in tax fraud, he may conduct an investigative audit under section 25AB.

Investigative Audit Introduced

The concept of investigative audit is proposed to be introduced by virtue of insertion of new section 25AB. The salient features of the investigative audit are as follows:

- The Officer of Inland Revenue suspects that a registered person is involved in tax fraud, he may with the prior approval of the Commissioner initiate investigative audit.
- The Officer of Inland Revenue shall conduct investigative audit based on the record and evidence obtained within ninety days of the initiation of the investigative audit.
- After completion of investigative audit, the Officer of Inland Revenue may take one or more of the following actions:
 - Pass an order under section 11E.
 - Issue a best judgment order under section 11D.

- Blacklist the registered person.
- Impose penalty and cause prosecution of the registered person.

Disallow input tax in respect of first two incidences, if the registered person is unable to provide receipt, invoice or any other record, or other evidence of the transaction.

Return filing through notice

The Bill proposes to empower an Officer of Inland Revenue to issue notice to any person to file the sales tax return for a tax period or tax periods.

The Bill further proposes to empower an Officer of Inland Revenue to issue a notice for filing of sales tax return within:

- 15 years from the end of financial year in case of allegation of tax fraud and
- Five years in all other cases.

Penalties, offences and other fines

Offences	Penalties	
	Existing	Proposed
Any person who submits false documents, destroys records.	A penalty of Rs. 25,000 or 100% of the amount of tax involved, whichever is higher is imposed. Upon conviction by a Special Judge, they may also face imprisonment upto 3 years or a fine equal to the evaded tax, or both.	Any person committing, facilitating, or attempting tax fraud faces a penalty of Rs 25,000 or 100% of the evaded tax, whichever is higher. Upon conviction by a Special Judge, they may also face: Up to 5 years in prison if the evaded tax is up to Rs 500 million Up to 10 years in prison if the evaded tax is Rs 1 billion or more Additionally, a fine equal to the evaded tax may also be imposed
Makes fraudulent statements, or commits, attempts, abets, or facilitates tax fraud.		

Offences	Penalties	
	Existing	Proposed
Any licensed integrator authorized to provide electronic invoicing who fails to integrate registered persons as required by law.	Not applicable	Such person shall be liable to pay penalty of Rs. 1 million or 1% of the total value of the sales suppressed, whichever is higher.

Other penal provisions

- Currently, those involved in handling specified goods with counterfeit markings face confiscation, while repeat offenders can have their premises sealed for 15 days. Non-compliance with the 'track and trace system' results in sealing until integration. New procedures are proposed for confiscation and sealing related to counterfeit goods and non-integration, with no other changes to penalties.
- Currently, Tier-1 retailers are subject to penalties if they are not registered under the Act or fail to integrate their systems with the FBR. Proposed changes extend these penalties to those registered persons who are mandated by the FBR to integrate their electronic invoicing systems but fail to comply.
- Proposed procedures are set to be established for the confiscation of retail goods lacking printed retail prices or goods imported into Pakistan from tax-exempt areas in violation of regulations. Previously, such confiscations were not governed by specific rules or procedures.

It is also proposed that, notwithstanding the provisions of the Code of Criminal Procedure, 1898, the punishment for offences under the Act may extend upto period of 10 years.

Increase in rate of default surcharge

The rate of default surcharge levied on outstanding amount of sales tax due is proposed at KIBOR plus 3% per annum instead of existing rate of 12% per annum.

Pecuniary jurisdiction in appeals

The Bill proposes to change the date of transfer of appeals from Commissioner Appeals to ATIR relating to pecuniary jurisdiction from 16 June 2024 to 16 September 2024.

Threshold for payment through banking channel

Currently, payment exceeding Rs. 50,000, excluding payment against a utility bill, is to be made through cross banking channels.

The Bill proposes to clarify that the threshold of fifty thousand rupees would be on aggregate basis.

Third Schedule to the STA, 1990

Sales tax on retail price

The Bill proposes to insert DAP in Third Schedule. Presently it is taxable at reduced rate under the Eight Schedule.

Fifth Schedule to the STA, 1990

Zero rating to be withdrawn

The Bill proposes to omit following items in Fifth Schedule.

Entry No.	Description of goods
12.	The following goods and the raw materials, packing materials, sub-components, components, sub-assemblies and assemblies imported or purchased locally for the manufacture of the said goods, subject to the conditions, limitations and restrictions as prescribed by the Board:- (xvii) Preparations suitable for infants, put up for retail sale not exceeding rupees six hundred per two hundred grams (PCT Heading 1901.1000) *(xx) Colors in sets (PCT heading 3213.1000) *(xxi) Writing, drawing and marking inks (PCT heading. 3215.9010 and 3215.9090) *(xxii) Erasers (PCT heading 4016.9210 and 4016.9290) *(xxiii) Exercise books (PCT heading 4820.2000) *(xxiv) Pencil sharpeners (PCT heading 8214.1000) *(xxv) Other drawing, marking out or mathematical calculating instruments (geometry box) (PCT heading 9017.2000) *(xxvi) Pens, ball pens, markers and porous tipped pens (PCT heading 96.08) *(xxvii) Pencils including color pencils (PCT heading 96.09)
16.	**Milk (PCT heading 04.01)
17.	Fat filled milk (PCT heading 1901.9090)
21.	Local supplies of commodities, raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions as specified therein.

*These all stationery items are proposed to be taxed at the rate Of 10% under Eight Schedule.

** Milk excluding that sold under a brand name is proposed to be exempt from sales tax through inclusion as serial no.56 of Table II of Sixth schedule.

Sixth Schedule to the STA, 1990

New exemptions proposed

Table I

The Bill proposes to introduce exemption on following items in Table-I of Sixth Schedule.

Entry No.	Description of Goods	Tariff Heading
175.	Import of all goods received, in the event of a natural disaster or other catastrophe, as gifts and relief consignments or any goods received as gift or donation from a foreign government or organization by the Federal or Provincial Governments or any public sector organization. Subject to the recommendations of the Minister Incharge and concurrence by the Federal Board of Revenue subject to condition that the concerned Ministry shall verify the genuineness of such cases and furnish an undertaking to the effect that donated goods shall not be sold, utilized or disposed of otherwise than for the purpose for which the same have been imported.	9908(i) and 9911
176.	*POL products: (i) MS (Petrol) (ii) High Speed Diesel Oil (iii) Kerosene (iv) Light Diesel Oil	2710.1210, 2710.1931, 2710.1911 and 2710.1921

*POL products are proposed to be exempted from sales tax previously these were zero rated.

Table II – Local supplies only

The Bill proposes to insert exemption on following items in Table-II of Sixth Schedule.

Entry No.	Description of Goods	Tariff Heading
56.	Milk excluding that sold under a brand name	04.01.
57.	Iron and steel scarp	7204.4100 7204.3000 7204.4990.

Exemption proposed to be withdrawn

Table I

The Bill proposes to withdraw certain exemption through omission in Table-I of Sixth Schedule.

Entry No.	Description of Goods
13.	Edible vegetables imported from Afghanistan including roots and tubers, except ware potato and onions, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned.
15.	Fruit imported from Afghanistan excluding apples PCT 0808.1000.
32.	*Newsprint and books but excluding brochures, leaflets and directories.
86.	**Colors in sets (Poster colors).
87.	**Writing, drawing and making inks.
88.	**Erasers.
89.	**Exercise books.
90.	**Pencil sharpeners.
96.	**Other drawing, marking out or mathematical calculating instruments (geometry box).
97.	**Pens, ball pens, markers and porous tipped pens.
98.	**Pencils including color pencils.
112.	<p>Following cardiology/cardiac surgery, neurovascular, electrophysiology, endosurgery, endoscopy, oncology, urology, gynecology, disposables and other equipment: -</p> <p>A. Angioplasty products</p> <ol style="list-style-type: none"> 1. Coronary Artery Stents 2. Drugs Eluting Coronary Artery Stents 3. Coronary Artery Dilatations Catheters (Balloons) 4. PTCA Guide Wire 5. PTCA Guiding Catheters 6. Inflation Devices/Priority Packs 7. Optical Coherence Technology (OCT) System 8. OCT Catheters 9. Intravascular Ultrasound (IVUS) 10. Fractional Flow Reserve (FFR/IFR) System 11. IVUS/FFR/IFR Catheters and wires 12. Support Micro Catheters (Straight and Angled) 13. Drug Coated Angioplasty Balloon 14. Coronary and Peripheral Micro Coils 15. Thrombectomy Device 16. Thrombus Aspiration Catheters 17. Covered Stents (Coronary/Peripheral)

Entry No.	Description of Goods
	18. Vessel Closure Devices
	19. Embolic Protection Devices
	20. Renal Stents
	21. Vena-cava Filters
	22. Coronary and Peripheral Snares
	23. Atherectomy Devices
	24. IABP Consoles & Catheters
	25. Intracardiac Echocardiography Machine & Catheters
	B. Angiography products
	1. Angiography Catheters
	2. Sheaths
	3. Guide Wires
	4. Contrast Lines
	5. Pressure Lines
	6. Manifolds
	7. Wrist Bands for Radial Vessel Closure
	C. Contrast media for angiography/angioplasty
	1. Angiography Accessories
	2. ASD Closure Devices
	3. ASD Delivery Systems
	4. VSD Closure Devices
	5. VSD Delivery System
	6. Guide Wires
	7. Sizing Balloons
	8. Sizing Plates
	9. PDA Closure Devices
	10. PDA Delivery System
	D. Temporary pacemakers (with leads, connectors and accessories)
	E. Permanent pacemaker (with leads, connectors and accessories)
	F. HEART FAILURE DEVICES (with leads, connectors and accessories)
	G. Implantable cardioverters (with leads, connectors and accessories)
	H. Cardiac electro-physiology products
	1. Electrophysiology catheters
	2. Electrophysiology cables
	3. Electrophysiology connectors
	4. Excimer Laser System with Accessories
	5. Laser Sheath, Occlusion Balloons, Dilator Sheaths (Rotation & Manual)

Entry No.	Description of Goods
	<p>6. Intra Cardiac Echocardiography (ICE) System and Accessories</p> <p>7. Lead Locking Devices and Accessory Kit</p> <p>8. Remote EP Monitoring Device and Accessories</p> <p>9. Ablation catheters</p> <p>10. 3-D Cardiac Mapping System</p> <p>11. Cryballoon System and Accessories</p>
	<p>I. Lear cardiology products</p> <p>1. Radioactive isotopes</p> <p>2. Cold kits (cardioisotope MAA, DTPA etc.)</p> <p>J. Cardiac surgery products</p> <p>1. Oxygenators</p> <p>2. Cannulas</p> <p>3. Prosthetic Heart Valves</p> <p>4. Luminal shunts for heart surgery</p> <p>5. Artificial limbs and appliances</p> <p>6. High-Flow, Low-Profile Percutaneous Heart Pump PHP Console and Catheters</p> <p>7. Tandem Heart / Tandem Lung and Accessories</p> <p>8. Ventricular Assist Device System</p> <p>(a) Heart Mate-II</p> <p>(b) Heart Mate-III</p> <p>(c) Centri Meg LeOV</p> <p>9. Beating Heart Surgery stabilizers & Coronary Shunts</p> <p>10. Minimally invasive surgery equipment & Instruments</p> <p>11. RF Ablation equipment for AF (Surgical)</p> <p>12. Heart Lung Machines</p> <p>K. Equipment</p> <p>1. Cardiac Angiography Machine</p> <p>2. Echocardiography Machines</p> <p>3. ETT Machines</p> <p>4. Gamma Camera for Nuclear Cardiology Studies</p> <p>5. Left Ventricular Assist Device / System (LVAD) and Catheters</p> <p>6. MitraClip Transcatheter Mitral Valve System</p> <p>7. MitraClip Guide Catheter, Clip and Delivery System</p> <p>8. Patent Foramen Ovale (PFO) Closure Device</p> <p>9. Left Atrial Appendage (LAA) Occluder</p> <p>10. Transcatheter Aortic / Heart Valve System (TAVI/TAVR)</p> <p>11. Cerebral Retrievable Stents</p> <p>12. Aortic Stent Grafts</p> <p>13. Embolization Coils, Delivery System, Filling Coil</p>

Entry No.	Description of Goods
	<p>14. Abdominal Aortic Aneurysm (EVAR) System and Accessories/ thoracic EVAR/ extension</p> <p>15. Insertable Cardiac Monitor (ICM)</p> <p>16. Carotid Stents</p> <p>17. Vascular Clips</p> <p>18. MRI Compatible Cardiac Monitor, Infusion Pump, Anesthesia Machine with Accessories</p>
	<p>L. Peripheral interventions equipment</p> <p>Disposables and other equipment for peripheral interventions including stents (including carotid and wall stents), balloons, sheaths, catheters, guide wires, filter wires, coils, needles, valves (including rotating homeostatic valves), connecting cables, inflation devices adapters Drug Eluting Peripheral Stents.</p>
120.	<p>Diagnostic kits or equipment, namely:-</p> <p>HIV Kits, 4C Es Trionyx, 5C Cell control Lnormal, Bovine precision multi sera, Pregnancy test, DNA SSP DRB Generic IC, Reticulocyte count (control) retic C Control, Kit for vitamin B12 estimation Ferritin kit, HEV (Hepatitis E virus) ID-DA Cell, Urine Analysis Strips</p> <p>Albumin beg, Cratinin sysi, RIng, Detektlon cups, ISE Standard, Alkaline phosphatase (Alb), Bilirubin kit</p> <p>HDL Cholesterol, Ck creatinin kinase (mb) Ck nac, Glucose kit, Ammonia Modular Lac, Ldh kit (lactate dehydrogenase kit), Urea ur kit, Ua plus, Tina quant, Crp control, Aslo tin, Proteins, Lipids, HDL/LDL cholesterol, Protein kit, U, Control Sera, Pac, Control, HCV, UIBC (Unsaturated iron binding capacity), U/CSF, Inorganic Phosphorus kit, Kit amplicon kit (for PCR), Ige, Lc hsv, Oligo, NA/K/CL, Hcy, Standard [or calibrated], Hla B27, Liss Coombs, Typhoid kit, HCV amp, Urine test strips, Strips for sugar test, Blood glucose test strips, Kits for automatic cell separator for collection of platelets, Elisa or Eclia kit, PCR kits, Immunoblast (western blot test), I.C.T. (Immunochromatographic kit), CBC Reagent (For hematology analyzer) Complete blood count reagent</p>
151.	<p>*** (a) Supplies; and</p> <p>(b) imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas, as defined in the Constitution of Islamic Republic of Pakistan, as made till 30th June, 2024, to which the provisions of the Act or the notifications issued thereunder, would have not applied had Article 247 of the Constitution not been omitted under the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018):</p> <p>Provided that, in case of imports, the same shall be allowed clearance by the</p> <p>Customs authorities on presentation of a post-dated cheque for the amount of sales tax payable under the Sales Tax Act, 1990, and the same shall be returned to the importer after presentation of a consumption or installation certificate, as the case may be, in respect of goods imported as issued by the Commissioner Inland Revenue having jurisdiction:</p> <p>Provided further that if plant, machinery and equipment, on which exemption is availed under this serial number, is transferred or supplied outside the tribal areas, the tax exempted shall be paid at applicable rate on residual value</p>

Entry No.	Description of Goods
152.	***Supplies of electricity, as made from the day of assent to the Constitution (Twenty-fifth Amendment) Act, 2018, till 30th June, 2024, to all residential and commercial consumers in 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
166.	Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.
169.	****Oil cake and other solid residues
170.	****Tractor
174.	Machinery and equipment as listed at serial number 32 of the Table of Part-I of Fifth Schedule to the Customs Act, 1969 (IV of 1969), subject to the conditions, limitations and restrictions specified thereunder.

*Newsprint and books excluding brochures, leaflets and directories are proposed to be charged to sales tax at the rate of 10% by placing said items in Eighth Schedule of the Act.

**These all stationery items are proposed to be taxed at the rate of 10% under eight schedule.

***Sales tax on supplies, imports of plant, machinery and electricity in tribal areas are proposed to be charged at reduced rate of 6% and 12% for FY 2025 and FY 2026 respectively.

**** Bill proposes sales tax at the rate of 10% on oil cake and other solid residues, tractor by placing said items in Eighth Schedule of the Act.

Table II – Local supplies only

Entry No.	Description of Goods	Tariff Heading
7.	*vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers.	Respective headings
21.	**Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal	2306.3000, 2306.4900 and respective headings

*Sales tax at the rate of 10% is proposed on local supply of vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers by placing said items in Eighth Schedule of the Act.

**Sales tax at the rate of 10% is proposed on local supply of poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal by placing said items in Eighth Schedule of the Act, subject to condition that refund of excess input tax, if any, shall not be admissible.

Exemption proposed to be substituted and rationalized

Table I

The Bill proposes to withdraw exemption on goods imported by hospitals run by the non-profit making institutions.

Eight Schedule to the STA, 1990

Reduced rate to be withdrawn

The bill proposes to withdraw reduced rate of sales tax currently available on following items under Table-I of Eight Schedule.

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax
58.	LPG (PCT heading 2711.1910) Condition: Imports thereof and local supplies of such imported LPG	10%
66.	Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales (respective headings) Condition: If supplied goods are finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather subject to the condition that they have maintained 4% value addition during the last six months	15%
73.	Locally manufactured Hybrid electric vehicle: (PCT heading 87.03) (a) Upto 1800 cc (b) From 1801 cc to 2500 cc	8.5%. 12.75%

Amendments

The Bill proposes certain amendments in Table-I of Eighth Schedule as following.

Entry No.	Existing	Proposed
	Description with H.S Codes	
77.	Personal computers and Laptop computers, notebooks whether or not incorporating multimedia kit 8471.3020	Imported personal computers and Laptop computers, notebooks whether or not incorporating multimedia kit 8471.3020
	and 8471.3010	and 8471.3010
	Rate of Tax	
	5%	10%
	Conditions	
	If imported in CBU condition	None
	Description	
81.	Substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976) and medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except the following, even if medicated or edicinal in nature, namely:- (a) filled infusion solution bags imported with or without infusion given sets; (b) scrubs, detergents and washing preparations; (c) soft soap or no soap; (d) adhesive plaster; (e) surgical tapes; (f) liquid paraffin; (g) disinfectants, and (h) cosmetics and toilet preparations. This substitution shall be deemed to have been made from the 1st day of July, 2022.	Substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976).
	Rate of Tax	
	1%	1%
	Conditions	
	Subject to the conditions that: (i) Tax charged and deposited by the manufacturer or importer, as the case may be, shall be final discharge of tax in the supply chain (ii) No input tax shall be adjusted in the supply chain.	Subject to the conditions that: (i) Tax charged and deposited by the manufacturer or importer, as the case may be, shall be final discharge of tax in the supply chain (ii) No input tax shall be adjusted in the supply chain.

Reduced rate to be introduced

The Bill proposes to insert following items in Table-I of Eighth Schedule for application of reduced rate of sales tax:

Entry No.	Description of goods with Tariff Codes	Proposed reduced rate	Condition
84.	Colors in sets 3213.1000	10%	
	(i) Writing, drawing and marking inks 3215.9010 and 3215.9090		
	(ii) Erasers 4016.9210 and 4016.9290		
	(iii) Exercise Books 4820.2000		
	(iv) Pencil Sharpeners 8214.1000		
	(v) other drawing, marking out or mathematical calculating instruments (geometry box) 9017.2000		
	(vi) Pens, ball pens, markers and porous tipped pens 96.08		
	(vii) Pencils including color pencils 96.09		
85.	(a) Supplies; and (b) imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas, as defined in the Constitution of Islamic Republic of Pakistan Respective Headings	(i) 6% till 30.06.2025 (ii) 12% from 1.7.2025 till 30.06.2026	Provided that, in case of imports, the same shall be allowed clearance by the Customs authorities on presentation of pay order for the amount of tax payable under this Act and the same shall be returned to
			the importer after presentation within six months of a consumption or installation certificate, as the case may be, in respect of goods imported as issued by the Commissioner Inland Revenue

Entry No.	Description of goods with Tariff Codes	Proposed reduced rate	Condition
			having jurisdiction: Provided further that if plant, machinery and equipment, on which exemption is availed under this serial number, is transferred or supplied outside the tribal areas, the tax exempted shall be paid at applicable rate on residual value
86.	Supplies of electricity, as made to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas which were set and started their industrial production before 31 st May, 2018, but excluding steel and ghee or cooking oil industries 2716.0000	(i) 6% till 30.06.2025 (ii) 12% from 1.7.2025 till 30.06.2026	
87.	Oil cake and other solid residue 2306.1000	10%	
88.	Tractors 8701.9220 And 8701.9320	10%	
89.	Local supply of vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers. Respective headings	10%	
90.	Local supply of poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal 2306.3000, 2306.4900 and Respective headings	10%	Subject to the condition that refund of excess input tax, if any, shall not be admissible.
91.	Newsprint and books but excluding brochures, leaflets and directories Respective headings	10%	Subject to the condition that refund of excess input tax, if any, shall not be admissible.

Ninth Schedule to the STA, 1990

Ninth Schedule - Amendments

The Bill proposes to substitute Table-II of Ninth Schedule which provides sales tax to be charged on cellular mobile phones or satellite phone on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer. As per proposed amendment comparison of existing and new rates as indicated against each category as following.

Category of cellular mobile / satellite phones	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs)		Sales tax on import in CKD / SKD condition		Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4)	
	Old	New	Old	New	Old	New
Not exceeding US\$ 30 (excluding smartphones)	Rs. 130	18%	Rs. 10	18%	Rs. 10	18%
Not Exceeding US\$ 30 (smart phones)	Rs. 200	18%	Rs. 10	18%	Rs. 10	18%
Exceeding US\$ 30 but not exceeding US\$ 100	Rs. 200	18%	Rs. 10	18%	Rs. 10	18%
Exceeding US\$ 100 but not exceeding US\$ 200	Rs. 1,680	18%	Rs. 10	18%	Rs. 10	18%
Exceeding US\$ 200 but not exceeding US\$ 350	18%	18%	Rs. 1,740	18%	Rs. 10	18%
Exceeding US\$ 350 but not exceeding US\$ 500	18%	18%	Rs. 5,400	18%	Rs. 10	18%
Exceeding US\$ 500	25%	25%	Rs. 9,270	18%	Rs. 10	18%

Omission of certain procedures and conditions under Ninth Schedule

The Bill proposes to omit following procedures and conditions of Ninth Schedule.

(iii) The tax paid under this Schedule shall not be deductible against the output tax payable by the purchaser or importer of the goods specified in this Schedule;

(iv) The input tax paid on the input goods attributable to the goods specified in this Schedule shall not be deductible for tax payable under this schedule; and

(v) The board may prescribe further mode and manner of payment of tax due under this Schedule.

Eleventh Schedule to the STA, 1990

Eleventh Schedule – Amendments

The Bill proposes to increase the extent of sales tax deduction regarding serial no. 7 of table to Eleventh Schedule to the Act as following:

Serial no.	Withholding agent	Supplier category	Existing rate or extent of deduction	Proposed rate or extent of deduction
7.	Registered persons manufacturing lead batteries	Persons supplying any kind of lead under chapter 78 (PCT Headings: 7801.1000, 7801.9100, 7801.9900, 7802.0000, 78.03, 7804.1100, 7804.1900, 7804.2000, 78.05, 7806.0010, 7806.0020, 7806.0090) or scrap batteries under chapter 85 (PCT Headings: Respective headings)	75% of sales tax applicable	80% of sales tax applicable

Eleventh Schedule – Addition

The Bill proposes withholding of sales tax on certain categories as following.

Serial No.	Withholding agent	Supplier category	Rate or extent of deduction
9.	Registered persons manufacturing cement	Persons supplying any kind of gypsum under chapter 25 (PCT headings 2520.1010, 2520.1020, 2521.0000) or limestone flux under chapter 25 (PCT headings 2520.1010, 2520.1020, 2521.0000)	80% of the sales tax applicable
10.	Registered persons	Persons supplying any kind of coal under chapter 27 (PCT headings 2701.1100, 2701.1200, 2701.1900, 2701.2000, 2704.0010, 2704.0020, 2704.0090) or	80% of the sales tax applicable

Serial No.	Withholding agent	Supplier category	Rate or extent of deduction
11.	Registered persons	Persons supplying any kind of waste of paper and paper board (Respective headings)	80% of the sales tax applicable
12.	Registered persons	Persons supplying any kind of plastic waste (Respective headings)	80% of the sales tax applicable
13.	Registered persons	Persons supplying crush stone and silica	80% of the sales tax applicable

The Bill proposes to amend clause (viii) of the Eleventh Schedule as following.

Clause No.	Existing Description of clause	Proposed Description of clause
(viii)	Supplies made by an Active Taxpayer as defined in the Sales Tax Act, 1990 to another registered persons with exception of advertisement services.	Supplies made by an Active Taxpayer as defined in the Sales Tax Act, 1990 to another registered person with the exception of supplies referred to in S. Nos. 5, 7, 9, 10, 11, 12 and 13 of the Table

Twelfth Schedule to the STA, 1990

Twelfth Schedule – Amendments

The Bill proposes the amendment in sub-clause (iv) of clause (2) after the Table of the Twelfth Schedule as following.

Clause No.	Existing Description of clause	Proposed description of clause
(iv)	Cellular mobile phones or satellite phones.	Cellular mobile phones or satellite phones (PCT heading 8517.1419, 8517.1430 and 8517.1390).

Federal Excise Duty

First Schedule

Table I of First Schedule

The Bill proposes to introduce levy of FED on the following goods:

S. No.	Description of goods	Tariff heading	Proposed FED rate
7a	Acetate tow	Respective heading	Rs. 44,000 per Kg
8d	Nicotine pouches	Respective heading	Rs. 1,200 per Kg
63	Allotment or transfer of commercial property and first allotment or transfer of residential property in such mode and manner and subject to such conditions and restriction as may be prescribed by the Board	Respective heading	5%
64	Sugar supplied by any person to a manufacturer	Respective heading	Rs. 15 per Kg

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

S. No.	Description of Goods	Existing rate	Proposed FED rate
13	Portland cement, aluminous cement, slag cement and similar hydraulic cements,	Rs. 2 per Kg	Rs. 3 per Kg

S. No.	Description of Goods	Existing rate	Proposed FED rate
	whether or not coloured or in the form of clinkers		
56	Filter rod for cigarettes	Rs. 1,500 per Kg	Rs. 80,000 per Kg

- Rate of FED on E-liquid for cigarette enhanced

Presently, the rate of FED on E-liquid for cigarette is Rs. 10,000 per Kg. The Bill proposes to prescribe the rate of FED on such goods as higher of Rs. 10,000 per Kg or 65% of retail price.

- Threshold of locally manufactured cigarette enhanced

Presently, the on pack printed retail price threshold for determining rate of FED on locally produced cigarettes is Rs. 9,000 per thousand cigarettes. The Bill proposes to enhance threshold of such retail price from Rs. 9,000 to Rs. 12,500.

Third Schedule

Table I of Third Schedule

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

Other amendments proposed under FE Act

- Time limit enhanced for transferring of appeal pending before Commissioner (Appeals) to Appellate Tribunal
- Under Section 33A of FE Act as inserted vide Tax Laws (Amendment) Act, 2024, the cutoff date for transfer of appeals pending before Commissioner (Appeals) to Appellate Tribunal involving amount exceeding Rs. 5 million is prescribed as 16 June 2024. The Bill proposes to extend the cutoff date till 16 September 2024.

- Time limit for filing of appeal against orders passed before Tax Laws (Amendments) Act, 2024

Vide Tax Laws (Amendment) Act, 2024, timeline for filing of appeal before the Appellate Tribunal and High Court has been reduced to 30 days as compare to previous timelines of 60 days and 90 days respectively. The reduction in aforesaid timelines caused hardship for taxpayers in cases where newly prescribed timeline had already been passed.

In order to safeguard the vested right of taxpayers for filing of appeal before relevant forum, the Bill proposes to insert a transition provision by introducing a new Section 34AB, whereby the time limit provided under Sections 34 and 34A shall continue to apply for orders passed before Tax Laws (Amendment) Act, 2024. We understand that the reference to Sections 34 and 34A in proposed newly inserted Section 34AB is intended to be made in the context of lawful position existed prior to Tax Laws (Amendment) Act, 2024 but does not appear to serve the purpose. In our view, this would require further clarification at the time of passing of the Act otherwise the hardship so caused by taxpayers shall continue leading towards litigation.

- Installation/removing of plant and machinery having value exceeding Rs. 50 million without prior permission of Commissioner proposed to be an act of offence attracting penalty.
- Bill proposes to seal outlet of Retailers selling illicit cigarettes.
- Rate of default surcharge proposed to be changed from 12% to KIBOR+3% as before.

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

Customs

First Schedule

New Insertion in First Schedule

Description	H.S Code	Proposed rate
39. Plastic and articles thereof; rubber and articles thereof		
Polyol blended with HCFC-141b or HCFC-142b	3907.2910	0
Other	3907.2990	0
84. Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles		
Other parts for machines of headings 8413.7019	-	0
For tyre tubes	8481.3010	16
Other	8481.3090	16
85. Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles		
Photovoltaic power cable having single conductor of kind used for solar	8544.6020	20
90. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof		
Night vision Goggles	9004.9010	11
Other	9004.9090	11
Of glass	9018.3981	20
Of PET	9018.3982	20

Description	H.S Code	Proposed rate
Other	9018.3989	20

Change of rate in First Schedule

Description	H.S Code	Existing rate	Proposed rate
27. Mineral fuels, mineral oils and products of their distillation; bituminous substance; mineral waxes			
High speed diesel oil	2710.1931	11	0
Natural gas	2711.1100	11	0
73. Articles of iron or steel			
For aerosol products	7311.0040	11	16

General changes in First Schedule

H.S. Code	General change
99. Special classification provisions	
9908	The Bill proposes that goods received as gift or donation from a foreign government are allowed for exemption subject to recommendation of the Minister Incharge and concurrence by the Federal Board of Revenue
9917	The Bill proposes to streamline the exemptions and extending the scope of import of ship bunker oil to operating companies of the concession holders and their contractors and sub-contractors
9919	The Bill proposes to delegate power to the Chief Collector

H.S. Code	General change
	of Customs to further extend time-limit by six months in case of goods temporarily imported into Pakistan with a view to subsequent exportation subject to certain conditions and restrictions.
9921	The Bill proposes amendment to allow import of containers without payment of duty and taxes to be used for transportation of cargo by the exporters
9932	The Bill proposes to disallow temporary import of goods without payment of duty into Pakistan from Afghanistan meant for subsequent exportation

Fifth Schedule (Reduced Rate)

New Insertion in the Fifth Schedule

Part-I

Description	H.S Code	Duty rate
21. Following systems and items for dedicated use with renewable source of energy like solar, wind, geothermal etc.		
7(c) Raw materials for the manufacture of PV Modules		
i) Silicon Adhesive/ Sealant.	3506.9990	0%
(ii) MC4 Connectors.	8536.9090	0%
(iii) Back sheet film.	3920.9900	0%
(iv) Packing boxes/ modules.	4819.1000 4819.5000	0%
(v) Corner block.	7610.9000	0%
(vi) Polyethylene compound	3901.9000	0%

Description	H.S Code	Duty rate
(vii) Tin ingot.	8001.0000	0%
(viii) Plates, sheets and strip of cellular rubber (vulcanized).	4008.1190	0%
(ix) Glass fibers (including glass wool) and articles thereof nes	7019.9090	0%
7(d) Parts of Solar Inverters		
(i) Control board	8504.9090	0%
(ii) Power board	8534.0000	0%
(iii) Charge controller board A/C	9032.8990	0%
(iv) Charge controller board PV	9032.8990	0%
(v) DCDC board	8504.9090	0%
(vi) LCD Display	8531.2000	0%
(vii) Display board	8504.9090	0%
(viii) AC input & output terminal	8504.9090	0%
(ix) Battery input terminals	8504.9090	0%
(x) PV terminals	8504.9090	0%
(xi) Casings (Plastic or Steel)	8504.9090	0%
(xii) Circuit Board (CB) for inverters	8534.0000	0%
(xiii) Stuffed PCBs for inverters	Respective headings	0%
7(e) Parts of Lithium Batteries		
(i) Cells	8507.9000	0%
(ii) Copper Bar (Cell to Cell Connection)	7407.1010	0%

Description	H.S Code	Duty rate
(iii) BMS (level 1) Electronic Card	8507.9000	0%
(iv) Casing	8507.9000	0%
(v) Harness Set (Cells Monitoring Wires with tags)	8544.4290	0%
(vi) Output Terminal with screws	8536.9090	0%
(vii) Power Cables (Battery Internal)	8544.4290	0%
(viii) DC Fan	8414.5990	0%
(ix) DC Breaker	8536.2010	0%
(x) Packing Screws	7318.1590	0%
(xi) Terminal Covers	3926.9099	0%
(xii) Acrelic Sheet (Short Circuit Safety Sheet)	3921.9090	0%
(xiii) Other Accessories (Temp Sensors, connectors, assembly items, Handles).	8536.9090, 9031.8000 8507.9000	0%
8(b) Solar PV Modules Panels manufacturing machinery and equipment.		
(i) Sun Simulator	9031.8000	0%
(ii) Glass Lifter	8428.9090	0%
(iii) Tabber Stringer	8515.1900	0%
(iv) Hi-Speed Layup Station with ROBOT	8479.5000	0%
(v) Motorized Visual Inspection	9031.8000	0%
(vi) Buffer before Bussing	8479.8990	0%
(vii) Multi-station for Bussing	8479.8990	0%

Description	H.S Code	Duty rate
(viii) Centering Conveyor with Visual Inspection	8479.8990	0%
(ix) Fully Automatic or Semi-automatic Laminator with Centering, Loading & Unloading	8479.8990	0%
(x) Automatic Inline Framing Machine	8479.8990	0%
(xi) Automatic Silicon Dispenser	8479.8990	0%
(xii) Direction Changer with 90 Degree Rotator	8479.8990	0%
(xiii) Centering Conveyor for Sun Simulator	8479.8990	0%
(xiv) Hi-Pot Test Equipment	9031.8000	0%
(xv) Electroluminescence (EL) Tester	9031.8000	0%
(xvi) Motorized Conveyor	8428.3990	0%
(xvii) EVA/Black sheet Cutting Machine	8441.1000	0%
(xviii) Ribbon Cutting & Bending Machine	8461.9000	0%
(xix) Lab Test Equipment	9031.8000	0%
(xx) Conveyer Belt	8428.3990	0%
(xxi) Laser cutting machine for cell	8456.1190	0%
(xxii) Cell sorting machine & testers	9031.8000	0%
(xxiii) Structures & parts of structures.	7308.9090	0%

Description	H.S Code	Duty rate
(xxiv) Vacuum pumps.	8414.1000	0%
(xxv) Air or gas compressors, hoods.	8414.8020	0%
(xxvi) Non-domestic, non-electric dryers nes.	8419.3900	0%
(xxvii) Threading or tapping machines nes for removing metal.	8459.7090	0%
(xxviii) Machines and mechanical appliances nes having individual functions.	8479.8990	0%
(xxix) Electric brazing or soldering machines and apparatus nes.	8415.1900	0%
(xxx) Electric heating resistors.	8516.8090	0%
(xxxi) Electric app for switching/protect electric circuits, not exceeding 1,000 volts.	8536.9090	0%
8(c) Solar Inverters manufacturing machinery and equipment.		
(i) Solder Paste Screen Machine	8515.1900	0%
(ii) SMT pick and place Machine	8479.5000	0%
(iii) Wave-soldering Machine	8515.1900	0%
(iv) PCB Conveyor Belt	8428.3990	0%
(v) SMT Workstation	8479.5000	0%
(vi) Solder Pot	8419.8990	0%
(vii) Solder Cleaning Equipment	8419.8990	0%
(viii) Wire Cutting & Stripping Machine	8461.9000	0%

Description	H.S Code	Duty rate
(ix) Crimping Machine	8479.8990	0%
8(d) Lithium ion batteries manufacturing machinery and equipment.		
(i) Weighting kettles	8423.9000	0%
(ii) Weighting and conveying systems	8428.3990	0%
(iii) Storage tanks	7310.1000	0%
(iv) Glue port	8419.8990	0%
(v) Transfer tanks	7310.1000	0%
(vi) Feeder	8479.8990	0%
(vii) High speed spiral Mixer	8479.8290	0%
(viii) Booster pumps	8413.7090	0%
(ix) Magnetic filters	8421.3990	0%
(x) High speed Homogenizer	8479.8290	0%
(xi) Auxiliary equipment and DCS central control system components	9032.8990	0%
(xii) Pole piece cathode Machine	8462.4900	0%
(xiii) Polo piece rolling Machine	8462.3900	0%
(xiv) CNC nibbling Machine	8462.4200	0%
(xv) CNC bending Machine	8462.2600	0%
(xvi) Sport welding plant	8515.8000	0%
(xvii) Auxiliary equipment	8479.8990	0%
(xviii) High temperature circulation thermal tester	9030.8900	0%

Description	H.S Code	Duty rate
(xix) UL 2054 fire testing equipment	9031.8000	0%
(xx) Pack rotation Simulation	9031.8000	0%
(xxi) Free fall tester	9031.8000	0%
(xxii) Battery impact tester IEC 62133	9031.8000	0%
(xxiii) UL 1642 flame tester	9031.8000	0%
(xxiv) Electromagnetic vibration tester UN 38.3	9031.8000	0%
(xxv) Single wing Electromagnetic power drop testing equipment	9031.8000	0%
(xxvi) Hydraulic crush testing equipment	9031.8000	0%

Part-II (Table-C)

Description	H.S Code	Duty rate
Drugs		
Bovine Lipid Extract Surfactant	3004.3900	0%

Part-III

Description	H.S Code	Duty rate
Raw materials/inputs for poultry and textile sector; other goods		
Live stock (if imported for research purpose)	Respective Heading	0%

Part-VII (Table-A)

Description	H.S Code	Duty rate
Miscellaneous		
Live (baby / brood stock) fish and shrimp/prawns for breeding and production in commercial farms and hatcheries	0301.9100 0301.9300 0301.9910 0306.3600	0%

Omissions from the Schedule

Part-III

Description	H.S Code	Duty rate
Raw materials/inputs for poultry and textile sector; other goods		
Fresh and Dry Fruits except apples from Afghanistan	08.00	10%
Wheat	10.01	0%
Cane sugar	1701.1390 1701.1400	0%
Beet Sugar	1701.1200	0%
White crystalline cane sugar	1701.9910	0%
White crystalline beet sugar	1701.9920	0%
Printed circuits	8534.0000	0%

Part-VII (Table-B)

Description	H.S Code	Duty rate
Miscellaneous		
High Speed Diesel (HSD)	2710.1931	10%
Natural Gas	2711.1100	5%

*Change of rate in Fifth Schedule**Part-I*

Description	H.S Code	Existing rate	Proposed rate
23. Part Components and inputs for manufacturing LED lights, bulbs and their parts			
(iv)(a) Bare Metal Clad Printed Circuit Board (MCPCB)	8534.0000	0%	11%

Part-III

Description	H.S Code	Existing rate	Proposed rate
Raw materials/inputs for poultry and textile sector; other goods			
(xvi) Glass board for manufacturing TV panels (LCD, LED, OLED, HDI etc.)	8529.9090	0%	10%

Part-V(A) (Table-I)

Description	H.S Code	Existing rate	Proposed rate
Import of Electric Vehicles (EV) CBUs & their parts under electric vehicle policy 2020			
Electric vehicle 4-wheelers exceeding US\$ 50,000	8703.8090	25%	50%

Legislative Changes**Definition**

The Bill proposes to introduce following two definitions:

- “nuclear material” as defined in the Pakistan Nuclear Regular Authority Ordinance, 2001
- “radioactive material” as defined in Pakistan Nuclear Regulatory Authority Ordinance, 2001.

Directorate General of National Targeting Centre

The Bill seeks to introduce new section to establish the Directorate General of National Targeting Centre, as a national single window of enforcement for all law enforcement agencies.

Directorate General of Trade Based Money Laundering

The Bill seeks to introduce new section to establish the Directorate General of Trade Based Money Laundering for cognizance of offences related to trade-based money laundering.

Delegation of powers

The Bills substitute section 5(1) to empower Board to delegate any of its functions and powers to the Chairman and others in the following manner:

- any Member or Director General to exercise the powers of the Board or Chairman
- any Collector of Customs to exercise any of the powers of a Chief Collector of Customs under this Act
- any Additional Collector of Customs or Deputy Collector of Customs to exercise any of the powers of a Collector of Customs under this Act
- any Deputy Collector or Assistant Collector of Customs to exercise any of the power of an Additional Collector of Customs under this Act;
- any Assistant Collector of Customs to exercise any of the powers of a Deputy Collector or Customs under this Act; and
- any other officer of customs with any other designation.

Entrustment of functions of customs officers to certain officers

The Bill proposes to empower Board to entrust any function of any officer of customs under this Act to the officer of National Command Authority and Pakistan Nuclear Regulatory Authority.

Assistance to the officers of customs

The Bill proposes to include Intelligence Bureau in the list of Government agencies mandated to assist customs officers in the discharge of their functions.

Detention, seizure and confiscation of goods imported in violation of section 15 or section 16

The Bill seeks to amend proviso of section 17 to assign the power to extend the statutory period of detention of goods to Additional Collector of Customs or Additional Director in lieu of Chief Collector or Director General.

General power of Federal Government to exempt customs duties

The Bill proposes to extend the general power of Federal Government to allow exemption from customs duties from 30 June 2024 to 30 June 2025 through amendment in the second proviso of sub-section 5 of section 19.

Provisional determination of liability

Presently, under third proviso of section 81(1), no provisional determination of value shall be allowed in those cases where a Valuation Ruling (VR), issued under section 25A, is in field even any review or revision against such Valuation Ruling is pending.

Now, the Bill proposes to include Publication Valuation Ruling (PVR) in the third proviso of section 81(1) in addition to Valuation Ruling (VR).

Appellate Tribunal

The Bill seeks to substitute section 194 to enhance the efficiency of Customs Appellate Tribunal for disposal of pending cases.

Now, it is proposed that a person would be eligible for the member of the Appellate Tribunal, if he –

- is an advocate of a High Court for not less than 15 years having expertise in Customs Laws and experience of pleading at least fifty Customs

cases at various forums; and possesses such other qualifications as may be prescribed;

is an officer of the Customs Service of Pakistan in BS-21 or above; or

is an officer of the Customs Service of Pakistan in BS-20, having served in such grade for three years or more.

The Federal Government shall appoint any member as Chairman of the Appellate Tribunal who shall hold office for a period of three years and can be reappointed for further three years.

Appeals and Decision of Appeals by the Appellate Tribunal

The Bill also seeks to substitute section 194A and 194B to accelerate the appeal process of Customs Appellate Tribunal for quick disposal of pending cases. Among other things, period for filing of appeal is proposed to be reduced from sixty days to thirty days with a fee of Rs. 20,000 in case of a company and Rs. 5,000 in case other than a company.

Presently, appeal is decided within sixty days of filing the appeal or within such extended period as the Tribunal may, for reasons to be record in writing, fix except in the case of rectification. Now, the Bill proposes that the appeal shall be decided within ninety days of filing the appeal which may extend for a further period of sixty days only.

At the first hearing of appeal, the Appellate Tribunal would give option of alternate dispute resolution and in case the Appellant declines, Appellate Tribunal fix the hearing.

The Appellate Tribunal shall decide the appeal on the date fixed and no adjournment shall be granted except some genuine reasons to be recorded in writing and on mandatory payment not less than Rs. 50,000.

Alternative dispute resolution (ADR)

The Bill also proposes to substitute section 195C to make the ADR system more effective forum for settlement of disputes.

Reference to High Court

Similarly, the Bill also proposes to substitute the section 196 to ensure that cases are speedily decided in the High Courts.

Petroleum Products (Petroleum Levy)

Amendment in Fifth Schedule to the Petroleum Products (Petroleum Levy) Ordinance, 1961

Currently, the Fifth Schedule to the Petroleum Products (Petroleum Levy) Ordinance, 1961 provides maximum rates of Petroleum Levy for various petroleum products. The Bill proposes to amend the said Schedule to provide minimum rates (which were previously provided as the maximum rates) alongside the revised maximum rates as follows:

S. No.	Petroleum Products	Unit	Minimum Petroleum levy rate (in Rs. per unit)	Maximum Petroleum levy rate (in Rs. per unit)
1.	High Speed Diesel Oil (HSDO)	Litre	60	80
2.	Motor gasoline	Litre	60	80
3.	Superior Kerosene Oil (SKO)	Litre	50	50
4.	Light Diesel Oil (LDO)	Litre	50	75
5.	High Octane Blending Component (HOBC)	Litre	50	75
6.	E-10 gasoline	Litre	50	75
7.	Liquefied Petroleum Gas (produced / extracted in Pakistan)	Metric ton	30,000	30,000

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