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A Brief on Finance Act, 2024

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Preamble

The National Assembly approved the Finance Bill 2024 on 28 June 2024 with certain amendments proposed therein and after the assent of the President of Pakistan, Finance Act, 2024 has been enacted on 29 June 2024. The amendments made would be effective from 01 July 2024 unless otherwise provided.

This publication contains a review of changes made in the Income Tax Ordinance, 2001, Sales Tax Act, 1990, Federal Excise Act, 2005 and The Customs Act, 1969 through the Finance Act, 2024.

This document contains the comments, which represent our interpretation of the legislation. We recommend that while considering their application to any particular case reference be made to the specific wordings of the relevant statute.

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Amendments in Finance Bill

Following is a summary of significant amendments made in the Finance Act which were either not proposed in the Finance Bill or were proposed differently:

Income Tax

- A surcharge at the rate of 10% of normal income tax payable has been levied on individuals (including salaried individuals) and Association of Persons (AOP) where taxable income exceeds Rs. 10 million. In case of salaried individuals, the surcharge is required to be deducted at source from the salary.
- Special tax regime introduced for Builders and Developers.
- Business income of non-resident persons will be considered as Pakistan-source income if they have a 'significant economic presence in Pakistan' based on certain specified criteria.
- In case of royalty paid or payable to an associate and claimed as a deduction in the current tax year or any of the two preceding tax years, 25% of the total expenditure for sales promotion, advertisement and publicity for that tax year will be disallowed and allocated to the associate if the taxpayer fails to provide satisfactory evidence to the Commissioner, in response to notice from the Commissioner, that no benefit has been conferred on the associate.
- 'Year of discovery of foreign assets or expenditure or concealed income' will be the year in which the Commissioner issues a notice under section 111 requiring the person to explain the nature and source of such foreign assets, expenditure or concealed income.
- For persons not appearing on Active Taxpayers List (ATL), restrictions on foreign travel for Pakistani citizens have been imposed with some exceptions. Individuals holding National Identity Card for Overseas Pakistanis (NICOP), minors, students and persons proceeding abroad for Hajj or Umrah have been included in the list of exceptions.
- The Commissioner may require a person to furnish wealth statement. Finance Bill proposed that particulars of foreign assets may also be required in such wealth statement. The Act has included both foreign assets and foreign liabilities in this requirement and has clarified that declaration of assets of spouse in such wealth statement would apply only if the spouse is dependent.
- For the purpose of best judgment assessment, the Commissioner has been empowered to determine taxable income on the basis of sectoral benchmark ratios to be prescribed by the Board.
- Amendments in appeals section:
 - Cases pending before the Commissioner (Appeals) which are liable to be transferred to Appellate Tribunal as per pecuniary limits, may now be transferred till December 31, 2024.
 - Time limit to decide cases transferred to the ATIR from the Commissioner (Appeals) will be counted from the date of transfer.
 - Applicants filing reference before High Court against Commissioner (Appeals) orders must file complete records within 15 days of filing the application.
 - Reference against the Commissioner (Appeals) orders as per pecuniary limit communicated after the date of the Tax Laws (Amendment) Act, 2024 can only be filed with the High Court even if the appeals were pending on the date of Tax Laws (Amendment) Act, 2024 (The Amendment Act).
 - Grant of stay from the High Court against recovery of tax, with the condition of depositing 30% of tax determined, will apply to both the ATIR and the Commissioner (Appeals) orders.
 - Fee of Rs. 50,000 for filing a reference before the High Court will not apply to the Commissioner.

- The Commissioner can reject the advance tax estimate of the taxpayer where taxpayer makes lower estimate including companies and AOPs as well as individuals (having income exceeding Rs. 1 million).
- 1% advance tax collection under section 147 required to be made at the time of realization of export proceeds on account of sale of goods or export of goods or at the time of making payment to an indirect exporter, or clearing of goods exported, in addition to tax collection under section 154.
- Commissioner's power to issue lower rate certificates in respect of payments to non-resident and resident persons under section 152 and 153 respectively has been restricted in the sense that the reduction in rate can be up to 80% of the applicable withholding tax rate.
- Commissioner's power to issue withholding tax exemption certificate remains intact in cases where income is exempt from tax or subject to a 100% tax credit.
- Penalties imposed on implementing agencies for failing to block SIMs, disconnect utilities, or prevent exit from Pakistan by non-filers reduced to Rs. 50 million for the first default and Rs. 100 million for each subsequent default, effective from the date notified by Board as against Rs. 100 million and Rs. 200 million proposed in Finance Bill.
- Rate of default surcharge will be higher of 12% per annum or KIBOR plus 3%.
- Provisions introduced for establishment of a Tax Fraud Investigation Wing aiming to detect, analyze, investigate, combat, and prevent tax evasion and tax fraud.
- Exemption provided from collection of advance tax under section 236C on sale or transfer of immovable Property to a war wounded person while in service of Pakistan Armed Forces or Federal or Provincial Government or an ex-serviceman and serving personnel of armed forces or ex-employees or serving personnel of Federal and Provincial Government.
- Professional firms prohibited from incorporation under relevant laws and regulations will be subject to a maximum tax rate of 40%.
- Capital gains tax rate for stock funds where dividend receipts are less than capital gains reduced to 15% as compared to 20% proposed in the Finance Bill.
- Tax exemption provided for income of a Special Purpose Vehicle (SPV) buying Diversified Payment Rights (DPR) from Authorised Dealers in Pakistan, as well as exemption of withholding tax on payments to non-residents (section 152) to such SPVs. Additionally, any assets transferred by an Authorised Dealer to an SPV as a result of a DPR will be treated as a financing transaction.
- 25% tax credit available to full-time teachers or researchers will continue to apply. It was proposed to be omitted by the Finance Bill but this amendment has not been carried by Finance Act.
- Exemption from minimum tax on turnover under section 113 for Special Economic Zones Entities re-inserted.
- Tax rate for late filers will be higher than that for on-time filers but lower than that for non-filers, except for those who have consistently filed returns on time for last three (3) tax years.

Sales Tax

- As per Finance Act, the Chief Commissioner now has powers to examine blacklisting as well as suspension order passed by the commissioner under section 21(2).
- Carrying out of an Investigative Audit by an Officer of Inland Revenue proposed through the Finance Bill has been excluded. A new section 30AB is introduced to the Finance Act to deal with cases involving Tax Fraud. This section authorizes the establishment of a "Tax Fraud Investigation Wing-Inland Revenue" which is tasked with detecting, investigating, and preventing Tax Fraud.
- Through Finance Act, the default surcharge has been set at the "higher of 12% per annum or KIBOR plus 3% per annum".

Customs

- Section 194C which was proposed to be omitted in the Finance Bill has been re-introduced / revamped.
- Through Finance Act the procedure of Appellate Tribunal has been given which includes constitution of benches, case management system, distribution of cases and other matters ancillary or incidental thereto.

Federal Excise Duty

- The Finance Act introduced FED on lubricating oil at the rate of 5% *ad val.*
- The Finance Act enhanced FED on cement from proposed Rs. 3 per Kg to Rs. 4 per Kg.
- The Finance Act enhanced FED on international air travel for passengers of economy, club, business and first class.
- The Finance Act inserted new Table III in the First Schedule to include FED on supply of sugar at the rate of Rs. 15 per Kg and allotment or transfer of commercial property and first allotment or transfer of residential property at the rate ranging from 3% to 7%.
- The Finance Act extended the date for transferring of appeals pending before Commissioner (Appeals) to Appellate Tribunal involving amount exceeding Rs. 5 million till 31 December 2024.
- The Finance Act reduced minimum retail price for selling of locally produced cigarette from sixty per cent to fifty-five per cent.

Income Tax Ordinance, 2001

Definition of “Board” enhanced

The Finance Act has enhanced the definition of “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.

Definition of “Chief Commissioner” enhanced

The Finance Act has included “Chief Investigator” in the definition of the “Chief Commissioner”. This is in context of section 230K introduced by the Act for “Tax Fraud and Investigation Wing Inland Revenue”.

Surcharge on Individuals and AOP

Through insertion of section 4AB, the Finance Act has introduced “Surcharge” at the rate of 10% of normal income tax on every individual (including salaried individuals) and AOPs where taxable income exceeds Rs. 10 million.

An amendment has also been made to the withholding tax provisions under section 149, requiring employers to withhold this surcharge from employees’ salaries.

Tax on Builders & Developers

While a separate tax regime for “Builders and Developers” already exists in section 100D and Eleventh Schedule, yet another special tax regime has been introduced by the Finance Act through insertion of new section 7F, whereby applicable normal tax will be payable by the corporate and non-corporate Builders and Developers on their taxable profit to be worked out as under:

Activity	Taxable profits
Construction and sale of residential, commercial or other buildings	10% of gross receipts
Development and sale of residential commercial or other plots	15% of gross receipts
Combined activities of both above	12% of gross receipts

If a taxpayer includes any income subject to tax under this section, when explaining the nature and source of credited amounts, investments made, assets owned, or funds used for expenditures, they cannot claim credit of any sum exceeding the taxable profits computed above.

However, if their actual taxable income exceeds the computed taxable profits as above, they may claim credit for the excess income, subject to paying tax at the applicable normal rates.

This section does not apply to builders or developers established by an Act of Parliament, Provincial Assembly, or Presidential Order, engaged in activities for the benefit of their employees or otherwise including activities involved in planning, developing, providing, and regulating housing and ancillary facilities in a specified or notified area.

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 Act has imposed 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.

This 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 (6) tax years.

The Finance Act has inserted 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 (10) years.

This 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 Act has inserted 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 of the Ordinance, 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 Act has inserted a new proviso which entails that in case an association of persons has a turnover of 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 ATL

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 ATL.

Now, the Finance Act has enhanced the scope of the Tenth Schedule to include those persons though appearing on the ATL but have not filed return by the due date specified under the Ordinance or as extended by the Commissioner or the Board.

This 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.

Significant economic presence of non-residents

Business income of a non-resident person is currently considered Pakistan-source income if, inter alia, it relates to any 'business connection in Pakistan'.

The Finance Act has provided that 'business connection in Pakistan' shall include "significant economic presence in Pakistan" of a non-resident.

Significant economic presence in Pakistan has been defined as follows:

- a) Transactions in respect of any goods, services, or property carried out by a non-resident with any person in Pakistan, including provision of download of data or software in Pakistan, if the aggregate payments arising from such transaction or transactions during the tax year exceeds such amount as may be prescribed.

- b) Systematic and continuous soliciting of business activities or engaging in interaction through digital means with such number of users in Pakistan as may be prescribed, irrespective of whether or not:
- the agreement for such transactions or activities is signed in Pakistan;
 - the non-resident has a residence or place of business in Pakistan, or
 - the non-resident renders services in Pakistan.

Only so much of income as is attributable to the transactions or activities referred to in (a) or (b) above shall be deemed to accrue or arise from a business connection in Pakistan.

Royalty payments to associates and allocation of sales promotion expenditure

The Finance Act has inserted a new sub-section (6) in section 108 of the Ordinance to provide 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, twenty-five percent (25%) 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.

This section will only apply where on a notice issued by the Commissioner, the taxpayer fails to furnish any explanation or evidence that no benefit has been conferred on the associate by virtue of expenditure in respect of sales promotion, advertisement and publicity.

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.

Year of discovery defined for inclusion of unexplained income, assets etc.

Under section 111, where unexplained investment, money, valuable article is situated outside Pakistan or unexplained expenditure is incurred outside Pakistan or where concealed income is foreign source income, it is required to be included in the person's income in

the tax year immediately preceding the tax year in which the same is discovered by the Commissioner.

The Finance Act has now specified 'the year of discovery of foreign assets or expenditure or concealed income' as the year in which the Commissioner issues a notice requiring the person to explain the nature and source of such foreign assets, expenditure or concealed income.

Power enhanced to enforce filing of returns by restricting foreign travel

To further promote a culture of filing of tax returns, the Act has imposed restrictions on foreign travel for Pakistani citizens. However, these restrictions shall not apply to individuals holding NICOP, minors, students, persons proceeding abroad for Hajj or Umrah and such other classes of persons as notified by the Board.

Requisite wealth statement to include foreign assets and foreign liabilities

Under section 116, the Commissioner is empowered to require any individual to furnish wealth statement in the prescribed form and manner, for interalia, providing particulars of the person's total assets and liabilities, total assets and liabilities of person's spouse, minor children and dependents and any assets transferred by the person to any other person and the consideration for the transfer.

The Finance Act has amended the above section to the effect that the Commissioner can now also ask for particulars of person's and his / her spouse, minor children and dependents foreign assets and foreign liabilities as well as the foreign assets transferred by the person and the consideration for such transfer.

It has further been clarified that assets of spouse shall only be included in requisite wealth statement of the person if the spouse is dependent.

Best judgment assessment

The Finance Act has extended the scope of best judgment assessment under section 121 of the Ordinance in cases where a person fails to furnish return of income in response to a notice from the Commissioner following the discontinuance of business.

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.

Sectoral benchmarks in best judgment assessments

The Finance Act has inserted subsection (1A) in section 121, empowering the Commissioner to determine taxable income for best judgment assessments using sectoral benchmark ratios as notified by the Board, based on comparative cases and include financial ratios, production ratios, gross profit ratios, net profit ratios, recovery ratios, wastage ratios, and other relevant ratios for specified sectors.

Pecuniary jurisdiction of appeals explained

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

The Finance Act has inserted an Explanation that for the purpose of this section “value of assessment of tax” 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 sub-section (4) of this section, the cases pending before Commissioner Appeals (having the value of assessment of tax or, as the case may be, refund of tax exceeding Rs. 20 million) were required to be transferred to Appellate Tribunal “on and from the 16th day of June, 2024”. This date has now been extended to “on or before the 31st day of December, 2024” and this amendment shall be deemed to have taken effect on and from the 16th day of June, 2024.

Through the Finance Act, the following further amendments have been made:

- time limit of 90 days for ATIR to decide cases transferred from Commissioner (Appeals) will be counted from the date the appeal is transferred, not from 16 June 2024.
- similar to ATIR cases, applicants referring CIR(A) decisions to the High Court must now file complete records within 15 days of filing the application to the High Court.
- an Explanation has been inserted in sub-section (1) of section 133 which clarifies that reference against CIR(A) orders which are communicated after the date of the Tax Amendment Act can only be filed with the High Court notwithstanding the proceedings pending prior to the date of commencement of the said Act.
- the High Court can now grant stay against recovery of tax, with the condition of depositing at

least 30% of tax determined by the ATIR or CIR(A), as the case may be.

- Fee of Rs. 50,000 for filing a reference application with the High Court would not apply to the Commissioner.

Advance tax

Currently where the taxpayer is a company or association of persons, 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 110% of the turnover of the latest tax year for which a return has been filed.

The Finance Act has enhanced the above percentage from 110% to 120%.

Further, where a taxpayer files a lower estimate of advance tax at any time before the last installment is due, the Act has empowered the Commissioner to reject such estimate, after providing opportunity of being heard, if not satisfied with documentary evidence provided or where an estimate of lower advance tax payable is not accompanied by details mentioned below:

- 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; and
- Computation of estimated taxable income.

In such case the taxpayer shall pay advance tax for each quarter as follows:

- for companies and AOPs, according to formula set out in sub-section (4) i.e., by applying tax to turnover ratio of latest tax year to the turnover for the quarter; and
- for individuals having income exceeding one million rupees, according to formula set-out in sub-section (4B) i.e., one-fourth of the tax assessed for the latest tax year or assessment year.

Advance tax to be paid by exporters

The Finance Act has introduced minimum tax regime for exporters in place of final tax regime.

In this context, the Finance Act has inserted sub-section (6C) in section 147 to the effect that the persons who required to collect or deduct withholding tax under section 154 i.e. every authorized dealer in foreign exchange, every banking company, Export Processing Zones Authority, every direct exporter and an export house registered under DTRE Rules and Collector of Customs will be also be required to collect or deduct advance income tax at the rate of 1% of foreign exchange proceeds, or export proceeds, or exports or payments, as the case may be, in addition to withholding tax collectable or deductible under section 154 at the time of realization of foreign exchange proceeds, or realization of proceeds on account of sale of goods, or export of goods, or at the time of making payment to an indirect exporter, or clearing of goods exported respectively.

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

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

The Finance Act has introduced a new sub-section (6A) in section 148, 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 Finance Act has also extended the definition of 'value of goods' for the purpose of section 148 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 payable in respect of import of the goods.

Responsibility of employer to withhold surcharge under section 4AB

The Finance Act inserted a new section 4AB levying surcharge on every individual (including salaried individuals) and AOP, whose taxable income for the year exceeds Rs. 10 million. Said persons are liable for surcharge at the rate of 10% of their income tax liability.

A corresponding amendment has been made in section 149, whereby employer has been made responsible to withhold surcharge under Section 4AB from employee salaries.

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

Currently, under sub-section (4A) of section 152, the Commissioner is empowered to issue withholding tax exemption certificate or reduced rate certificate for payment to a non-resident person on the execution of specified contracts and on payments to PE of a non-resident person where the tax deductible is not a minimum tax.

The Finance Act has provided that for the purpose of reduced rate certificate to be issued by the Commissioner, the reduction in rate shall not exceed eighty percent (80%) of the specified rates.

The power to issue withholding tax exemption certificate as provided in sub-section (4A) of section 152 has been omitted.

Withholding tax on reduced rate from certain payments to resident persons

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

The Finance Act has provided that for the purpose of reduced rate certificate to be issued by the Commissioner, the reduction in rate shall not exceed eighty percent (80%) of the specified rates.

The power to issue withholding tax exemption certificate as provided in sub-section (4) of section 153 has been omitted.

Minimum tax regime introduced for export of goods

Export of goods is 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 Act has changed the tax regime for export of goods to minimum tax. Consequently, the requirement for exercising option to be taxed under normal tax regime has been omitted.

Corresponding amendments have been made in sections 168 and 169 to exclude tax deducted on exports proceeds from the list of final taxation.

Power of Commissioner to issue 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 (100%) tax credit.

The Finance Bill had proposed some amendments in section 159 so as to withdraw the power of the Commissioner to issue withholding tax exemption certificate. However, these amendments have not been carried in the Finance Act. Therefore, the Commissioner can continue to issue withholding tax exemption certificate in the eligible cases.

Penalties provisions extended for non-compliances of various provisions

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

S. #	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 be Rs.10,000 in case of an individual and Rs.50,000 in all other cases.	117(3)
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	The shop of such person shall be sealed for seven (7) days for first default and for twenty-one (21) days for each subsequent default	99B

S. #	Description	Penalty	Relevant section
	procedure prescribed under section 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 fifty million rupees (Rs. 50 million) for first default and one hundred million (Rs. 100 million) for each subsequent default. Provided that said penalty shall be imposed effective from such date as the Board may notify.	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 the State Bank of Pakistan, whichever is earlier	Such person shall pay a penalty equal to fifty percent (50%) of the amount of tax involved.	37(6)
35	Any company and an AOP 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 any annexure, statement or document specified in the return of income as	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)

S. #	Description	Penalty	Relevant section
	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.		

Prosecution provisions extended for non-compliance of notice to file return of discontinued business

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 Act has provided that any person who has discontinued business or is likely to discontinue 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 Act has extended the scope of punishment on incorrect or non-declaration of particulars and information required in the return form by adding new section 191A which states that any company including a banking company and an AOP 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 Act provides that small traders and shop keepers, 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

The Finance Act has amended the rate of default surcharge levied under Section 205 from fixed rate to higher of 12% or KIBOR plus 3%.

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

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

Now, through the Finance Act, disclosure of information by a public servant to NADRA has once again been allowed for processing and analyzing of such data by NADRA for the purpose of broadening of tax base.

Tax Fraud and Investigation Wing

The Finance Act has added a new section 230K to establish Tax Fraud and Investigation Wing (TFIW). The functions of the TFIW shall be to detect, analyze, investigate, combat and prevent tax evasion and fraud.

The TFIW shall comprise of Fraud Intelligence and Analysis Unit, Fraud Investigation Unit, Legal Unit, Accountants Unit, Digital Forensic and Scene of Crime Unit, Administrative Unit or any other Unit as may be approved by the Board or the Federal Government.

The TFIW shall consist of a Chief Investigator and other specified officers as may be notified by Board. Moreover, functions and jurisdictions of TFIW and its officers will also be notified by Board.

The Board may confer powers of authorities specified in section 207 and 208 of Income Tax Ordinance, 2001 (the Ordinance) upon TFIW and its officers.

Nothing contained in this section shall prevent the authorities appointed under section 207 and 208 or any other authority or officer conferred with the power of authorities under section 207 and 208 from conducting prosecution under Part XI of Chapter X of the Ordinance.

Exclusion from applicability of advance tax on sale or transfer of immovable property

The Finance Act has extended the scope of exclusion from applicability of advance tax under section 236C on sale of a property by the following persons:

- a war wounded person while in service of Pakistan Armed Forces or Federal or Provincial Government; or
- an ex-serviceman and serving personnel of armed forces; or
- ex-employees or serving personnel of Federal and Provincial Government.

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.

The Finance Act has extended 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.

The Finance Act has extended 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 time limit for filing of appeal to the Appellate Tribunal or reference to High Court was amended.

The Finance Act has provided that the time limitation in respect of filing of appeals for impugned orders received prior to the commencement of The Amendment Act shall not to be affected. However, the wordings are still vague and needs to be addressed for more clarity.

First Schedule

(Division I, Part I, First Schedule)

Tax on salaried individuals increased

The Finance Act has revised tax rates for salaried individuals. The comparison of existing and amended rates is as follows:

Taxable income (Rs.)	Tax Year 2024	Tax Year 2025
Up to 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	

Further, surcharge of 10% has been levied where taxable income exceeds Rs. 10 million.

An analysis of impact of above changes in tax rates, including surcharge where applicable, is given below:

Taxable Salary (Rs.)	Tax Liability		Tax incidence	
	TY 2024 (Rs.)	TY 2025 *(including surcharge u/s 4AB) (Rs.)	Reduction / increase (Rs.)	Reduction / increase (%)
600,000	0	0	0	0
1,200,000	15,000	30,000	15,000	100
2,200,000	140,000	180,000	40,000	28.57
2,400,000	165,000	230,000	65,000	39.39
3,200,000	345,000	430,000	85,000	24.64
3,600,000	435,000	550,000	115,000	26.44
4,100,000	572,500	700,000	127,500	22.27
6,000,000	1,095,000	1,365,000	270,000	24.66
8,000,000	1,795,000	2,065,000	270,000	15.04
10,000,000	2,495,000	2,765,000	270,000	10.82
12,000,000	3,195,000	*3,811,500	616,500	19.30
15,000,000	4,245,000	*4,966,500	721,500	17.00

Tax on individuals (other than salaried individuals) and AOP increased

The Finance Act has also revised tax rates for AOPs and individuals (other than salaried individuals). The comparison of existing and amended rates is as follows:

Taxable income (Rs.)	Tax Year 2024	Tax Year 2025
Up to 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		
2,400,001 to 3,000,000	Rs. 315,000 plus 25% of the amount exceeding Rs.2,400,000	Rs. 170,000 plus 30% of the amount exceeding Rs.1,600,000
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	Rs. 650,000 plus 40% of the amount exceeding Rs.3,200,000
4,000,001 to 5,600,000		
5,600,001 and above	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 *[Provided that in case of an AOP that is a professional firm which is prohibited from incorporation by any law or the rules of the body regulating their profession, the maximum rate applicable to them shall be 40% instead of 45%.]

(Division III, Part I, First Schedule)

Tax on Dividend from Mutual funds deriving 50% or more income from profit on debt increased.

The Finance Act has inserted a proviso to tax dividend received from mutual funds @ 25% instead of 15% where a mutual fund derives 50% or more of its income from profit on debt. Corresponding change has also been made in the rate of withholding of tax under section 150 under Division I of Part III of First Schedule.

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

The Finance Act has prescribed tax rate of 15% on gain on disposal of securities acquired on or after 01 July 2024 for persons appearing on ATL on the date of acquisition and the date of disposal.

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

The Finance Act has omitted clause (i) to the existing first proviso being redundant and having no effect.

The Finance Act has also increased 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	Amended
Individuals and AOPs	10% for stock / other funds	15% for stock / other funds
Companies	10% for stock and 25% for other funds	15% for stock & 25% for other funds

In case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction has been increased from 12.5% to 15%.

Currently, no capital gain tax is required to be deducted if the holding period of the security is more than 6 years. The Act has provided that no capital gain tax is required to be deducted if the holding of the

security acquired on or before 30 June 2024 is more than 6 years. This amendment gives rise to an 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 kept intact.

**Please refer to our detailed comments on applicability of penalty, prosecution and enhanced rates for persons not appearing on ATL, as provided by the Act, on the respective pages of this publication.*

(Division VIII, Part I, First Schedule)**Tax on gain on immovable property increased**

The Finance Act has prescribed tax rate of 15% on gain on disposal of immovable properties acquired on or after 01 July 2024 for persons appearing of ATL on the date of disposal of the property. Gain on disposal of property by persons not appearing on ATL on the date of disposal of property shall be taxable at the progressive slab rates 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 prescribed without categorizing into open plots, constructed property and flats as currently exist.

**Please refer to our detailed comments on applicability of penalty, prosecution and enhanced rates for persons not appearing on ATL, as provided by the Act, on the respective pages of this publication.*

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

The Finance Act has increased the rate of withholding tax on payments on account of toll manufacturing as follows:

Person	Existing rate	Amended rate
Company	5 percent	9 percent
Other than company	5.5 percent	11 percent

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

The Finance Act has provided 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 pre-paid card or prepaid telephone card or sale of units to any electronic medium or whatever form.

(Division VII, Part IV, First Schedule)**Advance tax on motor vehicles increased**

The Finance Act has substituted rates of advance tax under section 231B on purchase, registration and transfer of motor vehicles. Currently, the advance tax on vehicles up to 2000cc is based on fixed amounts and for vehicles exceeding 2000cc it is based on the value of vehicles. The Act has provided tax rates based on value of vehicles for all types of vehicles. Existing and amended rates are summarized below:

S. #	Engine capacity	Existing rates	Amended rates
1	Up to 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
6	1801cc to 2000cc	Rs. 200,000	5% of the value
	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 Act has provided progressive slab of advance tax rates on sale or transfer of immovable property under section 236C, which is currently collected at a flat rate of 3 percent. The prescribed rates of tax are given below:

S. #	Amount of consideration received	Tax rate
1	Up to 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 Act has provided progressive slab of advance tax rates for the purchase of immovable property, which is currently collected at a flat rate of 3%. The prescribed rates are given below:

S. #	Fair market value	Tax rate
1	Up to 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****Income of SPV buying Diversified Payment Rights**

The Finance Act has introduced a new clause (99B) exempting the income of a Special Purpose Vehicle (SPV) that acquires Diversified Payment Rights (DPRs) from authorized dealers in Pakistan.

For the purpose of this clause, DPRs, SPV, and authorized dealers shall have the same meaning as

referred in the State Bank of Pakistan's circular(s) or regulations on DPRs.

Subsidy granted by Federal Government

The Finance Act has withdrawn 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.

The Finance Act has further extended this exemption up to 30 June 2025.

Part II – Reduction in tax rates

Enhancement in withholding tax rate for distributors of cigarette

Currently, 1% reduced rate is applicable for withholding of tax on gross amount of payment made to distributors of cigarettes under section 153(1)(a). The Finance Act has enhanced this rate to 2.5%.

Part III – Reduction in tax liability

Under clause (2) of Part III of Second Schedule, 25% reduction in tax liability is available on salary income of full-time teachers and researchers employed in recognized non-profit educational or research institutions. Finance Bill proposed to omit this clause, but the Finance Act has not carried the proposed amendment. Therefore, said reduction in tax liability will continue to apply.

Part IV – Exemptions from specific provisions

Minimum tax exemption for income derived in Special Economic Zone

The Finance Act has re-inserted exemption from minimum tax on turnover under section 113 for income derived by a zone enterprise as defined in Special Economic Zones Act, 2012.

Exemption from withholding tax for SPVs

The Finance Act has inserted clause (38AAA) whereby withholding tax on payments to non-residents under section 152 shall not apply to SPVs referred to in newly inserted clause (99B) of Part I of Second Schedule.

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, was available up to 30 June 2024.

The Finance Act has extended this exemption for one more year, i.e., till 30 June 2025.

Seventh Schedule - [banking companies]

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

The Finance Act has provided that the amount of bad debts classified as sub-standard or doubtful under the Prudential Regulations issued by State Bank of Pakistan or provisions for advances, off-balance sheet items, or any financial asset classified in stage I, II or III as performing, underperforming, or non-performing under any applicable accounting standard 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

The Finance Act has inserted a new sub-rule (da) to Rule 1, 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

Instead of restriction of application of international accounting standards 39 and 40, the Act provides to

exclude any adjustments made in annual accounts, under any applicable accounting standard, policies, guidelines or instructions of State Bank of Pakistan, when computing taxable income.

Transfer of assets in DPR transaction

The Finance Act has inserted a new Rule (3A) to the Seventh Schedule, relating to special taxation provisions for banking companies, whereby, where any assets are transferred by an Authorised Dealer to a SPV as a consequence of a DPR transaction, it shall be treated as a financing transaction, regardless of the accounting method adopted by the Authorised Dealer.

Applicability of super tax for banks

The Finance Act has clarified that the super tax under section 4C is applicable to banks for the tax year 2023 and for all subsequent tax years.

Tenth Schedule

Higher rates prescribed for certain non-filers

The Finance Act has introduced progressive / enhanced withholding tax rates for certain non-filers as follows:

S. #	Section reference	Rate of tax		
		Previous	New	
	Section 236K on purchase of immovable property	7.5% (250% of filer rate)	Value of property	Rate
up to 50 million			12%	
between 50 to 100 million			16%	
value above 100 million			20%	
	Section 151 for profit on debt	30%	35%	
	Section 236C on sale or transfer of immovable property	6%	10%	
	Section 236G for dealers, distributors, wholesalers,	0.2%	2%	

S. #	Section reference	Rate of tax	
		Previous	New
	other than fertilizer		
	Section 236H for retailers	1%	2.5%

New tax rate category introduced for late filers

The Finance Act has introduced 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 sale or transfer and purchase of immovable property, have been provided as follows:

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

The Finance Act has further clarified that this Rule shall not apply to a person who has filed return by the due date specified in section 118, or by the extended due date under section 119 or section 214A, for all of the last three tax years preceding the current tax year.

Progressive tax rates for non-filers on disposal of securities

The Finance Act inserted 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 rate of 15% based on prescribed slab rates in Division I of Part I of the First Schedule, on the disposal of securities.

Tax Rate Card

Tax rate for salaried individuals

[Division I, Part I]

Where the income of an individual chargeable under the head "salary" exceeds seventy-five per cent of his taxable income, the following rates of tax will apply:

S. #	Taxable income	Rate of tax
1	Where taxable income does not exceed Rs. 600,000	0%
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
3	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs. 30,000 plus 15% of the amount exceeding Rs. 1,200,000
4	Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs. 180,000 plus 25% of the amount exceeding Rs. 2,200,000
5	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 430,000 plus 30% of the amount exceeding Rs. 3,200,000
6	Where taxable income exceeds Rs. 4,100,000	Rs. 700,000 plus 35% of the amount exceeding Rs. 4,100,000

Tax rates for individuals (other than salaried individuals) and association of persons

[Division I, Part I]

S. #	Taxable income	Rate of tax
1	Where taxable income does not exceed Rs. 600,000	0%
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	15% of the amount exceeding Rs. 600,000
3	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,600,000	Rs. 90,000 plus 20% of the amount exceeding Rs. 1,200,000
4	Where taxable income exceeds Rs. 1,600,000 but does not exceed Rs. 3,200,000	Rs. 170,000 plus 30% of the amount exceeding Rs. 1,600,000
5	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 5,600,000	Rs. 650,000 plus 40% of the amount exceeding Rs. 3,200,000
6	Where taxable income exceeds Rs. 5,600,000	Rs. 1,610,000 plus 45% of the amount exceeding Rs. 5,600,000

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

A surcharge shall be payable by every individual and association of persons at the rate of ten percent of the income tax imposed under Division I of Part I of the First Schedule where the taxable income exceeds Rs. 10 million

Rate of tax for companies

[Division II, Part I]

S. #	Category	Rate
1.	Small company	20%
2.	Banking company	39%
3.	Any other company	29%

Super tax on high earning persons

[Division IIB, Part I]

S. #	Income under section 4C	Rate of tax
1.	Where income does not exceed Rs. 150 million	0% of the income
2.	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1% of the income
3.	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2% of the income
4.	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3% of the income
5.	Where income exceeds Rs. 300 million but does not exceed Rs. 350 million	4% of the income
6.	Where income exceeds Rs. 350 million but does not exceed Rs. 400 million	6% of the income

S. #	Income under section 4C	Rate of tax
7.	Where income exceeds Rs. 400 million but does not exceed Rs. 500 million	8% of the income
8.	Where income exceeds Rs. 500 million	10% of the income

Rate of dividend tax

[Division III, Part I]

Clause	Category	Rate
(a)	Dividend paid by Independent Power Producers where such dividend is a pass-through item under an Implementation Agreement or Power Purchase Agreement or Energy Purchase Agreement and is required to be reimbursed by Central Power Purchasing (CPPA-G) or its predecessor or successor entity.	7.5%
(b)	Dividend received from a mutual fund, Real Estate Investment Trust and cases other than those mentioned in clauses (a), (c) and (d).	15%
Proviso to Clause (b)	Dividend received from mutual funds deriving fifty percent or more income from profit on debt	25%
(c)	Dividend received by a REIT scheme from Special Purpose Vehicle	0 %
	Dividend received by others from Special Purpose Vehicle as defined under the Real Estate Investment Trust Regulations, 2015.	35%
(d)	Dividend received from a company where no tax is payable by such company due to exemption of income or carry forward business losses or claim of tax credits.	25%

Tax rate for profit on debt

[Division IIIA, Part I]

Rate of tax for profit on debt imposed under section 7B of ITO 2001 is 15%.

Tax rates on return on investment in sukus received from special purpose vehicle

[Division IIIB, Part I]

Tax rates on return on investment in *sukus* received from a special purpose vehicle are as follows:

S. #	Category	Rate
(a)	Where Sukuk holder is a company	25%
(b)	Where Sukuk holder is an Individual or AOP if the return on investment is more than Rs. 1 million.	12.5%
(c)	Where Sukuk holder is an Individual & AOP if the return on investment is less than Rs. 1 million.	10%

Tax rates on certain payments / income to non-residents

[Division IV & V, Part I]

The rate of tax imposed under section 6 and 7 shall be as follow:

S. #	Category	Rate
a)	Royalty	15%
b)	Fee for technical services	15%
c)	Any other case	10%
c)	Shipping Income	8%
d)	Air transport Income	3%

Capital gains on disposal of securities

[Division VII, Part I]

The rate of tax to be paid under section 37A shall be as follow:

S. #	Holding period	Rate of tax on disposal of securities acquired between 01 July 2022 and 30 June 2024 (both dates inclusive)	Rate of tax on disposal of securities acquired on or after 01 July 2024
1.	Where the holding period does not exceed one year	15%	15% for persons appearing on the ATL on the date of acquisition and the date of disposal of the securities and at the rate specified in Division I for individuals and association of persons and Division II for companies in respect of persons not appearing on the ATL on the date of acquisition and date of disposal of securities. Provided that the rate of tax for individuals and association of persons not appearing on the ATL, the rate of tax shall not be less than 15% in any case.
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	
3.	Where the holding period exceeds two years but does not exceed three years	10%	
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	
5.	Where the holding period exceeds four years but does not exceed five years	5%	
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	
7.	Where the holding period exceeds six years	0%	
8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	

Provided that for securities except at Serial No. 8 of the above Table:

- (i) The rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or after the 01 July 2013 but on or before the 30 June 2022; and
- (ii) the rate of 0% tax shall be charged on capital gain arising on disposal where the securities are acquired before the 01 July 2013.

Provided further that the rate for companies in respect of debt securities shall be as specified in Division II of Part I of the First Schedule to the ITO 2001.

Provided also that a mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax at the rates as specified below, on redemption of securities as prescribed, namely:

S. #	Category	Rate
1	Individual & AOP	15% for stock funds 15% for other funds
2	Company	15% for stock funds 25% for other funds

In case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 15%.

Provided also that no capital gain shall be deducted, if the holding period of the security acquired on or before 30th day of June 2024 is more than six years.

Explanation. – For the removal of doubt, it is clarified that provisions of this proviso shall be applicable only in case of mutual fund or collective investment scheme or a REIT scheme.

Tax on capital gains on disposal of immovable property

[Division VIII, Part I]

The rate of tax to be paid shall under section 37(1A) of the Income Tax Ordinance, 2001 shall be as follows:

S. #	Holding period	Rate of tax on properties acquired on or before 30 June 2024			Rate of tax on properties acquired on or after 1 July 2024
		Open Plots	Constructed Properties	Flats	
1.	Where the holding period does not exceed one year	15%	15%	15%	15% for persons appearing on the ATL on date of disposal of property and at the rates specified in Division I for individuals and association of persons and Division II for companies in respect of persons not appearing on the ATL on the date of disposal of property. Provided that the rate of tax for individuals and association of persons not appearing on the ATL on the date of disposal, the rate of tax shall not be less than 15% of the gain.
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	10.0%	7.5%	
3.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0	
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-	
5.	Where the holding period exceeds four years but does not exceed five years	5%	0	-	
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-	
7.	Where the holding period exceeds six years	0%	-	-	

Tax on builders

[Division VIII A, Part I]

(A) Karachi, Lahore and Islamabad		(B) Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta		(C) Urban Areas not specified in A and B	
For commercial buildings					
Rs. 210/ Sq Ft		Rs. 210/ Sq Ft		Rs. 210/ Sq Ft	
For residential buildings					
Area in Sq. ft	Rate/Sq. Ft	Area in Sq. Ft	Rate/Sq. Ft	Area in Sq. Ft	Rate/Sq. Ft
Up to 750	Rs. 20	Up to 750	Rs. 15	Up to 750	Rs. 10
751 to 1500	Rs. 40	751 to 1500	Rs. 35	751 to 1500	Rs. 25
1501 & more	Rs. 70	1501 & more	Rs. 55	1501 & more	Rs. 35

Tax on developers

[Division VIII B, Part I]

(A) Karachi, Lahore and Islamabad		(B) Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta		(C) Urban Areas not specified in A and B	
For Commercial Plots					
Rs. 210/ Sq Yd		Rs. 210/ Sq Yd		Rs. 210/ Sq Yd	
For Residential Plots					
Area in Sq. Yd	Rate/ Sq. Yd	Area in Sq. Yd	Rate/ Sq. Yd	Area in Sq. Yd	Rate/ Sq. Yd
Upto 120	Rs. 20	Upto 120	Rs. 15	Up to 120	Rs. 10
121 to 200	Rs. 40	121 to 200	Rs. 35	121 to 200	Rs. 25
201 and more	Rs. 70	201 and more	Rs. 55	201 and more	Rs. 35

Tax on deemed income

[Division VIII C, Part I]

The rate of tax chargeable under section 7E of the Income Tax Ordinance, 2001 is 20%.

Minimum tax u/s 113

[Division IX, Part I]

The rates of minimum tax under section 113 of Income Tax Ordinance, 2001 are follows:

S.#	Person(s)	Rate
1.	Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion) Pakistan International Airlines Corporation Poultry industry including poultry breeding, broiler production, egg production and poultry feed production	0.75%
2.	Oil refineries Motorcycle dealers registered under the Act, 1990 Oil Marketing Companies	0.5%
3.	Distributors of pharmaceutical products, fast moving consumer goods and cigarettes;	0.25%

S.#	Person(s)	Rate
	Petroleum agents and distributors who are registered under the Sales Tax Act 1990 Rice mills and dealers Tier-1 retailers of fast-moving consumer goods who are integrated with Board or its computerized system for real time reporting of sales and receipts; Person's turnover from supplies through e-commerce including from running an online marketplace as defined in clause 2(38B) of ITO 2001. Persons engaged in the sale and purchase of used vehicles; and Flour mills	
4	In all other cases	1.25%

Withholding Tax Collection / Deduction Rate Card

FIRST SCHEDULE

Note: *Persons whose name do not appear in the ATL are subject to hundred percent increased withholding tax rates as prescribed in the Ordinance except for specified exclusions given in the Tenth Schedule.

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
148	Collection of tax at imports				
I.	Persons importing goods classified in Part I of the Twelfth Schedule	1 / *2	Minimum / not minimum in the hands of industrial undertaking	Minimum / not minimum in the hands of industrial undertaking	Advance Tax Collection by Collector of Customs
II.	Persons importing goods classified in Part II of the Twelfth Schedule	2 / *4	Minimum / not minimum in the hands of industrial undertaking	Minimum / not minimum in the hands of industrial undertaking	Advance Tax Collection by Collector of Customs
		other than commercial importer	for its own use	Minimum / not minimum in the hands of industrial undertaking for its own use	
III.	Persons importing goods classified in Part III of the Twelfth Schedule	5.5 / *11	Minimum / not minimum in the hands of industrial undertaking	Minimum / not minimum in the hands of industrial undertaking	Advance Tax Collection by Collector of Customs
		other than commercial importer	for its own use	for its own use	
IV.	Import by manufacturers covered under rescinded SRO. 1125(I)2011 dated 31 December 2011	1 / *2	Adjustable	Adjustable	Advance Tax Collection by Collector of Customs

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
V.	Persons importing finished pharmaceutical products that are not manufactured in Pakistan as certified by DRAP.	4 / *8	Minimum	Minimum	Advance Tax Collection by Collector of Customs
VI.	Import of Mobile phones	Varying rates	Minimum	Minimum	Advance Tax Collection by Collector of Customs
VII.	Import of CKD kits of electric vehicles for small cars or SUVs with battery upto 50 kwh and LCVs with battery upto 150kwh	1 / *2	Minimum	Minimum	Advance Tax Collection by Collector of Customs
VIII	- Import by commercial importer of goods classified in Part II of Twelfth schedule	3.5 / *7	Minimum	Minimum	Advance Tax Collection by Collector of Customs
	- Import by commercial importer of goods classified in Part III of Twelfth Schedule	6% / *12%	Minimum	Minimum	
IX	Import by every person of edible oil, packaging material, paper and paper board; or plastics	1, 2, 3.5, 5.5, 6 / *2, 4,7,11,12	Minimum	Minimum	Advance Tax Collection by Collector of Customs
149	Salary				
	Where the taxable income does not exceed Rs. 600,000	0%	Adjustable	N/A	Person responsible for paying Salary
	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of amount exceeding Rs. 600,000	Adjustable	N/A	
	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs. 30,000 plus 15% of the amount exceeding Rs. 1,200,000	Adjustable	N/A	
	Where taxable income exceeds Rs. 2,200,000	Rs. 180,000 plus 25% of the amount	Adjustable	N/A	

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	but does not exceed Rs. 3,200,000	exceeding Rs. 2,200,000			
	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 430,000 plus 30% of the amount exceeding Rs. 3,200,000	Adjustable	N/A	
	Where taxable income exceeds Rs. 4,100,000	Rs. 700,000 plus 35% of the amount exceeding Rs. 4,100,000.	Adjustable	N/A	
VII.	Where taxable income exceeds 10 million.	In addition to the rates applicable in Sr.VI, a surcharge at the rate of 10% of normal income tax will be applied.			Person responsible for paying Salary will also be required to withhold the amount of surcharge
	Director fee	20	Adjustable	N/A	
150	Dividend payment or dividend in specie				
I.	Independent Power Producers where such dividend tax is a pass-through item under an Implementation Agreement or Power Purchase Agreement or Energy Purchase Agreement and is required to be reimbursed by Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity.	7.5 / *15	Final	Final	Tax Deduction by the payer of dividend
II.	Company where no tax is payable due to exemption of income or carry forward business losses or claim of tax credit	25 / *50	Final	Final	Tax Deduction by the payer of dividend
III.	Mutual fund or real estate investment trust.	15 / *30	Final	Final	Tax Deduction by the payer of dividend
	Provided that where mutual funds deriving fifty percent or more	25 / *50			

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	income from profit on debt.				
IV.	Any other case	15 / *30	Final	Final	Tax Deduction by the payer of dividend
151	Profit on debt				
I.	Yield on an account, deposit or a certificate under the National Savings Scheme or Post office saving account	15 / *35	Minimum / Adjustable (if more than 5 million)	Adjustable	Tax Deduction by the payer of the profit
II.	Profit on a debt, being on an account or deposit maintained with a banking company or a financial institution	15 / *35	Minimum / Adjustable (if more than 5 million)	Adjustable	Tax Deduction by the payer of the profit
III.	Profit on any security issued by Federal Government, a Provincial Government or a local Government other than profit on National Saving Scheme or Post Office Saving account to any person	15 / *35	Minimum / Adjustable (if more than 5 million)	Adjustable	Tax Deduction by the payer of the profit
IV.	Profit on any bond, certificate, debenture, security or instrument of any kind (excluding loan agreement between a borrower and a banking company or a development finance institution) issued by a banking company, a financial institution, company or a finance society, to any person other than a financial institution.	15 / *35	Minimum / Adjustable (if more than 5 million)	Adjustable	Tax Deduction by the payer of the profit
151 (1A)	Return on investment in sukuk, (excluding "The Second Pakistan Sukuk Company" and "The Third Pakistan				

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	<i>Sukuk Company</i> ”). In case, sukuk holder is:				
	Company	25 / *50	N/A	Adjustable	Tax Deduction by every SPV or Company at the time of making payment
	Ind & AOP (where the return is more than one million)	12.5 / *25	Minimum / Final	N/A	Tax Deduction by every SPV or Company at the time of making payment
	Ind & AOP (where the return is less than one million).	10 / *20	Minimum	N/A	Tax Deduction by every SPV or Company at the time of making payment
152	Payments to non-residents				
I.	Royalty and technical fee	15	Final	Final	Tax Deduction by every person paying an amount
II.	Execution of a contract or sub-contract under a construction, assembly or installation project in Pakistan including a contract for the supply of supervisory activities in relation to such projects or any other contract for construction or services rendered relating thereto	7	Minimum	Minimum	Tax Deduction by every person paying an amount
III.	Contract for advertisement services rendered by TV Satellite channel	7	Minimum	Minimum	Tax Deduction by every person paying an amount
IV.	Insurance premium or re-insurance premium	5	Minimum	Minimum	Tax Deduction by every person paying an amount
V.	Advertisement services relaying from outside Pakistan	10	Minimum	Minimum	Tax Deduction by every person paying an amount
VI.	Foreign produced commercial for advertisement on any	20	Final	Final	Tax Deduction by every person

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	television channel or any other media				responsible for making payment
VII.	Capital gain arising to a PE of non-resident company on the disposal of debt instrument and government securities including T-Bills and PIBs invested through special convertible rupee account	10	N/A	Final	Tax deduction by every banking company or a financial institution maintaining special convertible rupee account
VIII.	Capital gain arising on the disposal of debt instruments and government securities and certificates invested through Foreign Currency Value Account or non-resident Pakistani Rupee Value Account by a non-resident individual holding CNIC, NICOP or POC.	10	Final	N/A	Tax deduction by every banking company or financial institution maintaining Foreign Currency Value Account or non-resident Pakistan Rupee Value Account
IX.	Return on investment in sukuk (excluding "The Second Pakistan Sukuk Company" and "The Third Pakistan Sukuk Company"). In case, sukuk holder is:				Tax deduction by every special purpose vehicle or a company
	- Company	25	N/A	Final	
	- Ind & AOP (where the return is more than one million)	12.5	Final	N/A	
	- Ind & AOP (where the return is less than one million)	10	Final	N/A	
X.	Profit on debt to non-resident person not having a PE in Pakistan	10	N/A	Adjustable/ Final in specified situations	Tax deduction by the person responsible for making of payment.
XI.	Payments to an individual, on account of profit on debt earned from a debt instrument,	10	Final	N/A	Tax deduction by the person responsible

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident repatriable rupee account or a foreign currency account maintained with a banking company in Pakistan.				for making of payment
XII.	Fee for offshore digital services	10	Final	Final	
XIII.	Payment of service charges or commission or fee to the global money transfer operators, international money transfer operators or such other persons engaged in international money transfer operations, or such other persons engaged in international money transfer or cross-border remittance for facilitating outward remittances by exchange companies licensed by State Bank of Pakistan	10	Final	Final	Every exchange company licensed by State Bank of Pakistan making payment
XIV.	Payment by banking company to card network company or payment gateway or any other person, of any transaction fee or licensing fee or service charges or commission or fee by whatever name called or inter-bank financial telecommunication services	10	Final	Final	Every banking company making payment

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
XV.	Other payments	20	Adjustable	Adjustable	Every person payment an amount
XVI.	In case of cohesive business operations as per section 2(41)(g) if allowed by Commissioner on an application by the person making the payment	1.4	Ind(N/A)/Adjustable in the hands of PE of AOP for profits arising from Cohesive Business operations	Adjustable in the hands of PE for profits arising from Cohesive Business operations	Deduction of tax by every person paying the amount
		(20% of 7)			
152 (2A)	Payments to PE of a non-resident				
	Sale of goods				Tax Deduction by every prescribed person making a payment
	- Company	5 / *10		Minimum / not minimum subject to conditions	Tax Deduction by every prescribed person making a payment
	- Other than company	5.5 / *11	Minimum	-	Tax Deduction by every prescribed person making a payment
	- Transport services	4 / *8	Minimum	Minimum	Tax Deduction by every prescribed person making a payment
	- Freight forwarding services				
	- Air cargo services				
	- Courier services				
	- Manpower outsourcing services				
	- Hotel services				
	- Security guard services				
	- Software development services				

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	- IT services and IT enabled services as defined in section 2				
	- Tracking services				
	- Advertising services (other than by print or electronic media)				
	- Share registrar services				
	- Engineering services				
	- car rental services				
	- Building maintenance services				
	- Services rendered by Pakistan Stock Exchange Ltd and Pakistan Mercantile Exchange Ltd inspection and certification				
	- Testing and training services				
	- Oil field services				
	Services not covered above				
	- Company	9 / *18	N/A	Minimum	Tax Deduction by every prescribed person making a payment
	- Other than company	11 / *22	Minimum	N/A	Tax Deduction by every prescribed person making a payment
	Execution of a contract	8 / *16	Minimum	Minimum	Tax Deduction by every prescribed person making a payment
V.	Sports Person	10 / *20	Minimum	N/A	Tax Deduction by every prescribed

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
					person making a payment
153	Goods, services and execution of a contract				
I.	Sales of rice, cotton seed oil or edible oil	1.5 / *3	Minimum	Minimum / adjustable for manufacturer / listed company	Tax Deduction by every prescribed person making a payment
II.	Distributors of		Minimum	Minimum	Tax Deduction by every prescribed person making a payment
	- Cigarettes	2.5 / *5			
	- Pharmaceutical products	1 / *2			
III.	Distributors, dealers, sub-dealers, wholesalers and retailers of fast-moving consumer goods, fertilizers, electronics excluding mobile phones, sugar, cement, steel and edible oil, if they are appearing in ATL of income tax and sales tax.	0.25	Minimum	Minimum	Tax Deduction by every prescribed person making a payment
IV.	On supplies of gold, silver and articles thereof	1 / *2	Adjustable	Adjustable	Tax Deduction by every prescribed person making a payment
V.	Sale of any other goods in the case of:				Tax Deduction by the prescribed person making payment
	- Company (excluding toll manufacturing)	5 / *10	N/A	Minimum / adjustable for manufacturer / listed company	Tax Deduction by the prescribed person making payment
	- For toll manufacturing	9 / *18			
	- Other taxpayers (excluding toll manufacturing)	5.5 / *11	Minimum	N/A	Tax Deduction by the prescribed person making payment

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	- For toll manufacturing	11 / *22			
	- Transport services	4 / *8	Minimum	Minimum	Tax Deduction by the prescribed person making payment
	- Freight forwarding services				
	- Air cargo services				
	- Courier services				
	- Manpower outsourcing services				
	- Hotel services				
	- Security guard services				
	- Software development services				
	- IT services and IT enabled services as defined in section 2				
	- Tracking services				
	- Advertising services (other than by print or electronic media)				
	- Share registrar services				
	- Engineering services including architectural services				
	- Warehousing services				
	- Services rendered by asset management companies				
	- Data services provided under license issued by the Pakistan				

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	Telecommunication Authority				
	- Telecommunication infrastructure (tower) services, car rental services				
	- Building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited				
	- Inspection, certification				
	- Testing and training services				
	- Oilfield services				
	- Telecommunication services				
	- Collateral management services				
	- Travel and tour services.				
	Oil tanker contractor services	2 / *4	Minimum	Minimum	Tax Deduction by the prescribed person making payment
	Other services in the case of:				
	- Company	9 / *18	N/A	Minimum	Tax Deduction by the prescribed person making payment
	- Other taxpayers	11 / *22	Minimum	N/A	Tax Deduction by the prescribed person making payment
	Electronic and print media for advertisement services	1.5 / *3	Minimum	Minimum	Tax Deduction by the prescribed person making payment

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	Execution of a contract in the case of:				
	- Company	7.5 / *15	-	Minimum/ adjustable for listed company / subject to conditions	Tax Deduction by the prescribed person making payment
	- Other taxpayers	8 / *16	Minimum	N/A	Tax Deduction by the prescribed person making payment
	- Sports person	10 / *20	Minimum	N/A	Tax Deduction by the prescribed person making payment
	Deduction by exporter or an export house on payment for rendering of certain services	1 / *2	Minimum	Minimum	Tax Deduction by the prescribed person making payment
154	Exports				
I.	At the time of realization of foreign exchange proceeds on account of the export of goods by an exporter	1 + *1 *In addition to existing 1 %, tax @ 1% will also be deducted u/s 147 as an advance tax which is adjustable	Minimum	Minimum	Tax Deduction by every authorized dealer in foreign exchange
II.	At the time of realization of the proceeds on account of a sale of goods to an exporter under an inland back -to-back letter of credit or any other arrangement	1 + *1 *In addition to existing 1 %, tax @ 1% will also be deducted u/s 147 as an advance tax which is adjustable	Minimum	Minimum	Tax Deduction by every banking company
III.	At the time of export of goods by an industrial undertaking located in the areas declared by the Federal Government to be a Zone	1 + *1 *In addition to existing 1 %, tax @ 1% will also be deducted u/s 147 as an advance tax which is adjustable	Minimum	Minimum	Tax Collection by EPZA (the Export Processing Zone Authority)
IV.		1 + *1	Minimum	Minimum	

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	At the time of making payment for a firm contract to an indirect exporter	*In addition to existing 1 %, tax @ 1% will also be deducted u/s 147 as an advance tax which is adjustable			Tax Deduction by every direct exporter and an export house
V.	At the time of clearing of goods exported	1 + *1	Minimum	Minimum	Tax Collection by the Collector of Customs
		*In addition to existing 1 %, tax @ 1% will also be deducted u/s 147 as an advance tax which is adjustable			
154A	Export of Services				
	Exports of computer software or IT services or IT enabled services persons registered with Pakistan Software Export Board	0.25	Final subject to conditions	Final subject to conditions	Tax Deduction by every authorized dealer in foreign exchange.
II.	a) services or technical services rendered outside Pakistan or exported from Pakistan;	1	Final subject to conditions	Final subject to conditions	Tax Deduction by every authorized dealer in foreign exchange.
	b) royalty, commission or fees derived by a resident company from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise;				

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	c) construction contracts executed outside Pakistan;				
	d) foreign commission due to an indenting commission agent; and				
	e) other services rendered outside Pakistan as notified by the Board from time to time;				
155	Income from Property				
	Annual rent of immovable property including rent of furniture and fixtures and amount of service relating to such property				Tax Deduction by every prescribed person making a payment in full/ part
	- In case of company	15 / *30	N/A	Adjustable	Tax Deduction by every prescribed person making a payment in full/ part
	- In case of other taxpayers	Progressive rates	Adjustable	N/A	Tax Deduction by every prescribed person making a payment in full/ part
	- Upto 300,000	0			
	- 300,000 < 600,000	5			
	- 600,000 < 2,000,000	10			
	- Above 2,000,000	25			
156	Prizes and winnings				
	Gross amount of prize bond winning.	15 / *30	Final	Final	Tax Deduction by every person paying prize on prize bond, winnings from raffle/lottery.
	Gross amount of Prize on crossword puzzle.	15 / *30	Final	Final	Tax Deduction by every person paying prize on prize bond, winnings from raffle/lottery.

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	Gross amount of raffle/lottery winning, prize on winning a quiz, prize offered by a company for promotion of sales.	20 / *40	Final	Final	Tax Deduction by every person paying prize on prize bond, winnings from raffle/lottery.
156A	Petroleum products				
	Commission or discount allowed to petrol pump operators	12 / *24	Final	Final	Tax Deduction by every person selling petroleum product to petrol pump operator
231AB	Advance tax on cash withdrawal				
	Cash withdrawal exceeding Rs 50,000/- per day from all accounts	0 / 0.6			Adjustable
231B	Advance tax on motor vehicles				
	At the time of registration of a motor vehicle and sale by manufacturer.		Adjustable	Adjustable	Advance Tax Collection subject to conditions, by every motor vehicle registration authority of excise and taxation department
	Engine Capacity:				
	- Upto 850CC	0.5			
	- 851<1000CC	01			
	- 1001<1300	1.5			
	- 1301<1600	02			
	- 1601<1800	03			
	- 1801<2000	05			
	- 2001<2500	07			
	- 2501<3000	09			
	- Above 3000CC	12			
		Provided that in cases where the engine capacity is not applicable, and the value of vehicle is PKR. 5			

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
		million or more, the rate of tax collectible shall be 3% of the import value as increased by custom duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles			
		Provided that tax required to be collected shall be increased by 200% for persons not appearing in ATL			
	At the time of leasing of a motor vehicle to a person not appearing in ATL	4%	Adjustable	Adjustable	Advance Tax Collection by every leasing company or a scheduled bank or a NBFC Or an investment bank or a modaraba or a DFI
	At the time of transfer of registration or ownership of a motor vehicle:		Adjustable	Adjustable	Advance Tax Collection by every motor vehicle registration authority of excise and taxation department
	- Upto 850CC				
	- 851<1000CC	PKR 5000			
	- 1001<1300	PKR 7500			
	- 1301<1600	PKR 12500			
	- 1601<1800	PKR 18750			
	- 1801<2000	PKR 25000			
	- 2001<2500	PKR 37500			
	- 2501<3000	PKR 50,000			
	- Above 3000CC	PKR 62,500			

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
		Provided that in cases where the engine capacity is not applicable, and the value of vehicle is Rs. 5.00 million or more, the rate of tax shall be Rs 20,000			
		Provided further that the rate of tax to be collected under this clause shall be reduced by ten percent each year from the date of first registration in Pakistan.			
		Provided that tax required to be collected shall be increased by 200% for persons not appearing in ATL			
	Collection of Advance tax at the time of registration if the locally manufactured motor vehicle is sold prior to registration by the original purchaser				Advance Tax Collection every motor vehicle registration authority of excise and taxation department
	- Upto 1000cc	100,000 / 300,000	Adjustable	Adjustable	
	- 1001cc to 2000cc	200,000 / 600,000	Adjustable	Adjustable	
	- 2001cc and above	400,000 / 1,200,000	Adjustable	Adjustable	
231C	Advance tax from agency, sponsor on Foreign Domestic Workers				
	On issuance or renewal of visa to foreign national as domestic worker	Rs 200,000 / 400,000			Adjustable

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
233	Brokerage & Commission				
I.	Advertisement agent	10 / *20	Minimum	Minimum	Tax Deduction by the principle
II.	Life Insurance Agent where commission is less than Rs. 0.5 million per annum	8 / *16	Minimum	Minimum	Tax Deduction by the principle
III.	Others	12 / *24	Minimum	Minimum	Tax Deduction by the principle
234	Tax on "motor vehicle tax"				
	Registered laden weight/Seating capacity/Engine capacity and life of vehicle used	Annual / Lump Sum	Adjustable	Adjustable	Advance Tax Collection by any person collecting motor vehicle tax
	On Engine Capacity or Lump Sum:				
	- Upto 1000CC	800 / 10,000			
	- 1001<1199	1500 / 18,000			
	- 1200<1299	1750 / 20,000			
	- 1300<1499	2500 / 30,000			
	- 1500<1599	3750 / 45,000			
	- 1600<1999	4500 / 60,000			
	- Above 2000CC	10,000 / 120,000			
235	Electricity consumption				
	Industrial or Commercial consumers with monthly electricity bill				Advance Tax Collection by a person preparing electricity consumption bill
	- Upto Rs 500	Nil	-	-	
	- Exceeds Rs 500 but does not exceed Rs 20,000	10	Minimum	Adjustable	

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	- Exceeds Rs. 20,000	Rs 1,950 plus 12% of the amount exceeding 20,000 for commercial consumers	Minimum/ Adjustable subject to conditions	Adjustable	
		Rs 1,950 plus 5% of the amount exceeding 20,000 for industrial consumers	Minimum/ Adjustable subject to conditions	Adjustable	
	Domestic consumers, if not included in ATL	7.5% if the monthly bill exceeds Rs. 25,000	Minimum/ Adjustable subject to conditions	N/A	Advance Tax Collection by a person preparing electricity consumption bill
236	Telephone & internet bill				
I.	Telephone monthly bill exceeding Rs 1,000	10	Adjustable	Adjustable	Tax Deduction by the person preparing telephone or internet bill
II.	Subscriber of internet and prepaid internet card or sale of units through any electronic medium or whatever form	15	Adjustable	Adjustable	Tax Deduction by the person issuing or selling prepaid card for telephones
	In case of persons mentioned in income tax general orders under section 114B (Non-Filer)	75			
III.	Mobile telephone and prepaid card for telephones or sale of units through any electronic medium or whatever form	15	Adjustable	Adjustable	Advance Tax Collection by the person issuing or selling units
236A	Sale by auction / tender				
	Sale of goods or property (excluding immovable property)	10 / *20	Adjustable	Adjustable	Tax Deduction by any person making sale by public auction

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	Sale of immovable property	5 / *10	Adjustable	Adjustable	Tax Deduction by any person making sale by public auction
	Lease of right to collect toll	10 / *20	Final	Final	Tax Deduction by any person making sale by public auction
236C	Sale or transfer of immovable property				
I	Where the gross amount of consideration received does not exceed Rs. 50 Million	3 / *10 / **6	Adjustable/ minimum/ final subject to conditions	Adjustable/ minimum subject to conditions	Tax Deduction by every person responsible for registering or attesting transfer
		*In case of persons not appearing in ATL			
		**For late filers who filed their returns for last three preceding tax years after respective due dates			
	Where the gross amount of consideration received exceeds Rs. 50 Million but does not exceed Rs.100 Million	3.5 / *10 / **7	Adjustable/ minimum/ final subject to conditions	Adjustable/ minimum subject to conditions	Tax Deduction by every person responsible for registering or attesting transfer
		*In case of persons not appearing in ATL,			
		**For late filers who filed their returns for last three preceding tax years after respective due dates			
	Where the gross amount of consideration received exceeds Rs. 100 Million	4 / *10 / **8	Adjustable/ minimum/ final subject to conditions	Adjustable/ minimum subject to conditions	Tax Deduction by every person responsible for registering or attesting transfer
		*In case of persons not appearing in ATL			
		** For late filers who filed their returns for last three preceding tax years after respective due dates			

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
236CA	Advance tax on tv plays and advertisements				
	Foreign-produced TV drama serial or play	Rs. 1,000,000 per episode / *Rs. 2,000,000 per episode	N/A	Minimum	Any licensing authority certifying any foreign TV drama serial or play
	Foreign-produced TV play (single episode)	Rs.3,000,000 / *Rs. 6,000,000	N/A	Minimum	Any licensing authority certifying any foreign TV drama serial or play
	Advertisement starring foreign actor	Rs. 100,000 per second / Rs. 200,000 per second	N/A	Minimum	Any licensing authority certifying any commercial for advertisement starring foreign actor
236CB	Advance tax on functions and gatherings	20-Oct	Adjustable	Adjustable	Owner/ operator of facility
236G	Advance tax on sales of specified goods to distributors, dealers, and wholesalers				
	- Fertilizer	0.7 / 1.4 / *0.25 *if appearing in the ATL of income and sales tax	Adjustable	Adjustable	Tax Deduction by every manufacturer or commercial importer
	- Other than fertilizer	0.1 / *2	Adjustable	Adjustable	Tax Deduction by every manufacturer or commercial importer
236H	Advance tax on sales of specified goods to wholesalers	0.5 / *1	Adjustable	Adjustable	Tax Collection by every manufacturer, wholesaler, distributor, dealer or commercial importer
	In case of sales of specified goods to retailers	0.5 / 2.5			
236K	Advance tax on purchase of immovable property				
I		3 / *12 / **6 (of the FMV)		Adjustable	Tax Deduction by every person

Section	Type of payment	Rate %	Ind. & AOP	Company	Status of tax collected / deducted
		Active / In-Active			
	Where the fair market value does not exceed Rs.50 million.	*In case of persons not appearing in ATL **For late filers who filed their returns for last three preceding tax years after respective due dates	Adjustable/ Final subject to conditions		responsible for registering or attesting transfer
II	Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million.	3.5 / *16 / **7 *In case of persons not appearing in ATL **For late filers who filed their returns for last three preceding tax years after respective due dates	Adjustable/ Final subject to conditions	Adjustable	Tax Deduction by every person responsible for registering or attesting transfer
III	Where the fair market value exceeds Rs. 100 million.	4 / *20 / **8 *In case of persons not appearing in ATL **For late filers who filed their returns for last three preceding tax years after respective due dates	Adjustable/ Final subject to conditions	Adjustable	Tax Deduction by every person responsible for registering or attesting transfer
236Y	Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards	5 / *10	Adjustable		Tax deduction by every banking company
236Z	Value of bonus shares issued	20-Oct	Final Tax		Tax deduction by every company issuing Bonus shares

Sales Tax Act, 1990

Definitions

Definition of associate

The Finance Bill proposed an amendment to the term “associate” to align it with the definition provided in section 85 of the ordinance however through the Finance Act some editorial adjustments have been made to ensure complete consistency with these provisions.

Tax fraud

The Finance Bill proposed a significant expansion on the definition and scope of “Tax fraud” under the Sales Tax Act. Through the Finance Act, the definition has further encompassed broader scope and now explicitly includes the understatement of tax liabilities, overstating entitlement to tax credits or refunds, and the submission of false returns or documents.

Additionally, the Amendments have included further sub-clauses which include the following:

- Making taxable supplies without registration under this Act.
- Intentionally performing or causing an action or omitting or causing the omission of an action to result in a tax loss under this Act.

Restructuring of assessments

Best judgment assessment

Through the Finance Bill, the definition and scope of Best Judgement Assessment in the Sales Tax Act was made coherent with the Income Tax Ordinance. This empowers officials to make an assessment based on available information if a person fails to file a sales tax return in response to a notice or does not produce requested accounts, records after a show cause notice is issued.

The Finance Bill initially provided that if a best judgement assessment was made and the person subsequently filed the return and paid the due tax, the show cause notice or assessment order would be nullified. The Finance Act now provides a time limitation which is that the return must be filed within Sixty days of the Best Judgement Assessment Order so that such an assessment order can be nullified.

Blacklisting & suspension of registration

The chief commissioner now has powers to examine blacklisting as well as suspension order passed by the commissioner under section 21(2).

Introduction of Tax Fraud Investigation Wing-Inland Revenue

Carrying of Investigative Audit by an Officer of Inland Revenue proposed through the Finance Bill has been excluded. A new section 30AB is introduced to the Finance Act to deal with cases involving Tax Fraud. This section authorizes the establishment of a “Tax Fraud Investigation Wing-Inland Revenue” which is tasked with detecting, investigating, and preventing Tax Fraud.

Other important amendments

Penalties

The Finance Bill proposed extending the punishment for offences under the Sales Tax Act to up to 10 years, overriding the Code of Criminal Procedure, 1898. However, the Finance Act has withdrawn this amendment. Additionally, the Finance Act has introduced several amendments to give strength to penal provisions and made improvements to the initially proposed changes.

Condition	Penalty
General Penalty	Rs. 25,000 or 100% of the amount of tax evaded, whichever is higher
Tax evaded or sought to be evaded is < Rs. 1 billion	Imprisonment up to 5 years and fine up to the amount of tax evaded
Tax evaded or sought to be evaded ≥ Rs. 1 billion	Imprisonment up to 10 years and fine up to the amount of tax evaded
*Note:	The above penalties are without prejudice to each other.

Rate of default surcharge

Through Finance Act, the Default Surcharge has been set at the “higher of 12% per annum or KIBOR plus 3% per annum”.

Audit of sales tax affairs

Previously, in the Finance Bill, the commissioner was allowed to ‘pass any order’ against the taxpayer without providing an opportunity of being heard. Through the Finance Act, the words ‘pass any order’ have been omitted and some further editorial changes have been invoked which provide more clarity.

Sales tax exemptions

Table I

The Finance Bill proposed withdrawing exemptions on the import and supply of certain goods. However, the following items remain exempt from sales tax:

Description of goods
Cardiology/cardiac surgery, neurovascular, electrophysiology, endosurgery, endoscopy, oncology, urology, gynaecology disposables, and other specified equipment.
Goods (excluding electricity and natural gas) supplied to hospitals with fifty beds or more run by charitable institutions, and goods imported by hospitals run by non-profit organizations.

Table I

The Finance Bill proposed moving the following items from the Sixth Schedule to the Eighth Schedule of the Sales Tax Act to subject them to a reduced sales tax rate. However, this proposal was not adopted in the Finance Act and these items remain exempted.

Description of goods
Import or supply of exercise books
Import or supply of newsprint and books, excluding brochures, leaflets, and directories.

Table II – Local supplies only

The Finance Bill proposed exempting non-branded milk from sales tax. The Finance Act has accepted this with modifications. Additionally, the Finance Act has restricted the exemption on iron and steel scrap proposed in the Finance Bill:

Entry No.	Description of goods	Tariff heading
56.	Milk excluding that sold under a brand name or supplied by corporate dairy farms.	04.01.
57.	Iron and steel scrap excluding supplies by manufacturer-cum-exporters of recycled copper under the Export Facilitation Scheme, 2021.	7204.4100 7204.3000 7204.4990

Exemption from levy of sales tax

Through Finance Act, supply / import of the following goods has been exempted from levy of sales tax:

Description heading	Tariff heading
Supply of electricity to Azad Jammu and Kashmir	Respective headings
Import of gold under entrustment scheme under SRO 760(I)/2013	Respective headings
Import of cystagon, cysta drops and trientine capsules (for personal use only)	3004.9099
Bovine semen	0511.1000

Exemptions in the Sixth Schedule to the Sales Tax Act 1990

Exemptions pertaining to tribal areas

Through the Finance Act, the exemption from imposition of sales tax in this respect has been extended till June 30, 2025, and as a result, the

proposal for taxation of above at reduced rate has been withdrawn.

Description of goods	Tariff heading
Supplies of electricity, as made from the day of assent to the Constitution (Twenty-fifth Amendment) Act, 2018, till 896 [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 cooking oil industries.	2716.0000

Eighth Schedule

Hybrid electric vehicle

Through Finance Act locally manufactured Hybrid Electric Vehicles will remain subject to the reduced rates of sales tax until June 30, 2026.

Locally manufactured hybrid electric vehicles	Reduced rate
(a) Upto 1800 cc	8.5%
(b) From 1801 cc to 2500 cc	12.75%

Federal Excise Act, 2005

First Schedule

Table I of First Schedule

The Finance Act has introduced levy of FED on the following goods:

S. #	Description of goods	Tariff heading	Enacted FED rate
7a.	Acetate tow	Respective heading	Rs. 44,000 per Kg
8d.	Nicotine pouches	Respective heading	Rs. 1,200 per Kg
63	Lubricating oil	2710.1951, 2710.1952 and 2710.1953	5% ad valorem

The Finance Act has enhanced FED rates on certain goods as follows:

S. #	Description of goods	Existing rate	Enacted FED rate
13	Portland cement, aluminous cement, slag cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	Rs. 2 per Kg	Rs. 4 per Kg
56	Filter rod for cigarettes	Rs. 1,500 per Kg	Rs. 80,000 per Kg

Table II of First Schedule

The Finance Act has enhanced FED on international air travel for passengers as follows:

S. #	Description of Services	Existing rate (Rs.)	Enacted FED rate (Rs.)
3	b) Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan,–		
	(i) Economy and economy plus air tickets issued on or after the 1st day of July, 2024.	5,000	12,500
	(ii) Club, business and first-class air tickets issued on or after the 1st day of July, 2024		
	(a) IATA Traffic Conference Area 1 (North, Central, South America and Environs)	250,000	350,000
	b) IATA Traffic Conference Area 2		
	(i) Middle East and Africa	75,000	105,000
	(II) Europe	150,000	210,000
	(c) IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands)	150,000	210,000

- **Rate of FED on E-liquid for cigarette**

Presently, the rate of FED on E-liquid for cigarette is Rs. 10,000 per Kg. The Act has prescribed 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**

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 Act has enhanced threshold of such retail price from Rs. 9,000 to Rs. 12,500.

Table III of First Schedule

The Finance Act has inserted new Table III in First Schedule and included therein following items which were previously proposed through the Finance Bill under Table I of FE Act.

S. #	Description of items	Tariff heading	Amended FED rate
1	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	(i) 3% of gross amount of consideration involved where the buyer is appearing on active taxpayer list maintained under section 181A of the Income Tax Ordinance, 2001 on the date of acquisition of property; (ii) 5% of gross amount of consideration involved where the buyer has not filed the income tax return by due date as specified in proviso to Rule 1A of Tenth Schedule to the Income Tax Ordinance, 2001; and

S. #	Description of items	Tariff heading	Amended FED rate
			(iii) 7% of gross amount of consideration involved where the buyer is not appearing on active taxpayer list maintained under section 181A of the Income Tax Ordinance, 2001 on the date of acquisition of property.
*Under Sr. No. 50 of Part I of Federal Legislative List, Federation can levy taxes on the capital value of the assets and not taxes on immovable property. This insertion may create conflict between Federation and Provinces leading to litigations.			
** Under Section 6, FED paid on goods is allowed for adjustment which is used as input goods for the manufacture or production of excisable goods subject to the conditions and restrictions provided in the Section.			

Third Schedule

Table I of Third Schedule

The Finance Act has introduced exemption from FED on import of goods by following persons:

S. #	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

Other amendments under FE Act

- Transferring of appeal pending before Commissioner (Appeals)

The cutoff date for transfer of appeals pending before Commissioner (Appeals) to Appellate

Tribunal involving amount exceeding Rs. 5 million has been extended till 31 December 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 of 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.

The Finance Act, in order to safeguard the vested right of taxpayers for filing of appeal before relevant forum, though proposes to insert in Federal Excise Act a transition provision by inserting 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 of Sections 34 and 34A in newly inserted Section 34AB is intended to be made in the context of lawful position existed prior to Tax Laws (Amendment) Act, 2024. However, it appears that said section has not completely addressed such situation, which may lead to litigation.

- Minimum retail price restriction on sale of locally produced cigarettes

Currently no brand of locally produced cigarette can be sold at retail price lower than sixty per cent of retail price mentioned under Serial No. 9 of Table I of First Schedule. The Finance Act has reduced the said threshold limit from sixty per cent to fifty-five per cent.

- The Finance Act provides for sealing of outlets of Retailers selling illicit cigarettes.
- Installation/removing of plant and machinery having value exceeding Rs. 50 million without prior permission of Commissioner is to be an act of offence to attract penalty.
- Rate of default surcharge has been prescribed as higher of 12% or Kibor+3%.

The Customs Act, 1969

First Schedule

New Insertion in First Schedule

Description	H.S code	Duty 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
Other	9018.3989	20

Change of rate in First Schedule

Description	H.S code	Previous rate	Changed 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 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 exemptions have been streamlined and extended the scope of import of ship bunker oil to operating companies of the concession holders and their contractors and sub-contractors
9919	The power has been delegated to the Chief Collector 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 import of containers have been allowed without payment of duty and taxes to be used for transportation of cargo by the exporters.
9932	The temporary import of goods without payment of duty into Pakistan have

H.S Code	General change
	been disallowed 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	3214.9090	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%
(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	8504.4000	0%
(iii) Charge controller board A/C	9032.8990	0%
(iv) Charge controller board PV	9032.8990	0%
(v) DCDC board	8504.9090	0%

Description	H.S code	Duty rate
(vi) LCD Display	8531.2000 8524.1100	0%
(vii) Display board	8504.9090	0%
(viii) AC input & output terminal	8534.9090	0%
(ix) Battery input terminals	8507.9000	0%
(x) PV terminals	8536.9090	0%
(xi) Casings (Plastic or Steel)	8504.9090	0%
(xii) Circuit Board (CB) for inverters	8534.0000	0%
(xiii) Stuffed PCBs for inverters	8504.9030	0%
7(e) Parts of Lithium Batteries		
(i) Cells	8507.9000	0%
(ii) Copper Bar (Cell to Cell Connection)	7407.1010	0%
(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 8536.2020 3536.2090	0%
(x) Packing Screws	7318.1590	0%
(xi) Terminal Covers	3926.9099	0%

Description	H.S code	Duty rate
(xii) Acrelic Sheet (Short Circuit Safety Sheet)	3921.9090 3920.9090	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%
(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%

Description	H.S code	Duty rate
(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%
(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%

Description	H.S code	Duty rate
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%
(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	9032.8990	0%

Description	H.S code	Duty rate
control system components		
(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%
(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		
Livestock (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%

Description	H.S code	Duty rate
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	Previous rate	Changed 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	Previous rate	Changed 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	Previous rate	Changed 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 Finance Act has introduced following two definitions:

1. "nuclear material" as defined in the Pakistan Nuclear Regular Authority Ordinance, 2001
2. "radioactive material" as defined in Pakistan Nuclear Regulatory Authority Ordinance, 2001.

Directorate General of National Targeting Centre

The Finance Act has introduced 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 Combating Trade Based Money Laundering

The Finance Act has introduced new section to establish the Directorate General of Combating Trade Based Money Laundering for cognizance of offences related to trade-based money laundering.

Delegation of powers

The Finance Act has substituted 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 Finance Act empowered Board to entrust any function of any officer of customs under the Customs Act to the officer of National Command Authority and Pakistan Nuclear Regulatory Authority.

Assistance to the officers of customs

The Finance Act has included 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 Finance Act has amended the 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 Finance Act has extended 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 Finance Act has included Publication Valuation Ruling (PVR) in the third proviso of section 81(1) in addition to Valuation Ruling (VR).

Appellate Tribunal

The Finance Act has substituted section 194 to enhance the efficiency of Customs Appellate Tribunal for disposal of pending cases.

Now, 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 Finance Act has substituted 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 has been 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 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.

Procedure of Appellate Tribunal

The Finance Act has re-introduced/revamped section 194C which was proposed to be omitted in the Finance Bill.

Under the Finance Act, the procedure of Appellate Tribunal has been given which includes constitution of benches, case management system, distribution of cases and other matters ancillary or incidental thereto.

Alternative Dispute Resolution (ADR)

The Finance Act substituted section 195C to make the ADR system more effective forum for settlement of disputes.

Reference to High Court

Similarly, the Finance Act substituted the section 196 to ensure that cases are speedily decided in the High Courts.

Petroleum Products (Petroleum Levy), Ordinance, 1961

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 Finance Bill proposed to amend the said Schedule to provide minimum rates (which were previously provided as the maximum rates) alongside the revised maximum rates.

However, the Finance Act has now withdrawn the minimum rates and prescribed maximum rates only. The table below represents the comparison of rate of petroleum levy before and after amendment:

S.#	Petroleum products	Unit	Maximum petroleum levy rate before amendment (in Rs. per unit)	Maximum petroleum levy rate after amendment (in Rs. per unit)
6.	E-10 gasoline	Litre	50	50
7.	Liquefied Petroleum Gas (produced / extracted in Pakistan)	Metric ton	30,000	30,000

S.#	Petroleum products	Unit	Maximum petroleum levy rate before amendment (in Rs. per unit)	Maximum petroleum levy rate after amendment (in Rs. per unit)
1.	High Speed Diesel Oil (HSDO)	Litre	60	70
2.	Motor gasoline	Litre	60	70
3.	Superior Kerosene Oil (SKO)	Litre	50	50
4.	Light Diesel Oil (LDO)	Litre	50	50
5.	High Octane Blending Component (HOBC)	Litre	50	70

Capital Value Tax, 2022

Scope of CVT enhanced

Through the Finance Act, the scope of CVT is extended to farmhouses and residential houses within the territorial limits of the Islamabad Capital Territory on the basis of the area, irrespective of their value as follows:

S. #	Description	Penalty
2	Farmhouses (as defined in section 7E(4)(b) of the Income Tax Ordinance, 2001)	<ul style="list-style-type: none"> - 500,000 rupees, for the farmhouse with an area between 2,000 square yards and 4,000 square yards, and - 1,000,000 rupees if the area exceeds 4,000 square yards
3	Residential houses	<ul style="list-style-type: none"> - 1,000,000 rupees, for the residential house with an area between 1,000 square yards to 2,000 square yards, and - 1,500,000 rupees if the area exceeds 2,000 square yards

Stamp Act, 1899

The Finance Act has substituted Article 23 in Schedule I of the Stamp Act 1899. Comparison of the description and rates provided therein are tabulated below for ease of reference:

Article	Old description	Old rate	New description	New rate
23.	CONVEYANCE as defined by section 2(10) not being a TRANSFER charged or exempted under No. 62:	Four percent of the value of the property	<p>CONVEYANCE as defined under sub-section (10) of section 2 not being a TRANSFER charged or exempted under Article 62:</p> <p>(a) any instrument or set of instruments relating to future flow of transaction for fund raising by any bank or financial institution, including but not limited to</p> <p>(i) any instrument involving a conveyance, whether by way of assignment, transfer, sale or another manner, of rights, titles or interests relating to bank accounts, receivables or cashflows, whether in foreign currency or Pakistani rupees, in existence or which are to come into existence in future; or</p> <p>(ii) any other instrument setting out the terms and conditions pertaining to such future flow transaction; and</p>	(a) One thousand Rupees
			(b) in any other case.	(b) Four percent of the value of the property

The Finance Act also amended Article 62 to provide exemption on Transfers which are covered under Conveyance described in Article 23(a) mentioned in the above Table.

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