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A Brief on Finance Act, 2025

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Preamble



The National Assembly approved the Finance Bill 2025 on 29 June 2025 with certain amendments proposed therein and after the assent of the President of Pakistan, Finance Act, 2025 has been enacted on 27 June 2025. The amendments made would be effective from 01 July 2025 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, The Customs Act, 1969 and other laws through the Finance Act, 2025.

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.

Income tax

Banking Company definition redefined

The Finance Act, 2025 limits the definition of banking company to those companies only as defined under the Banking Companies Ordinance 1962.

Body corporates which transact the business of banking as currently included in this definition has been omitted therefrom.

Digitally delivered services defined

The Finance Act, 2025 has defined 'digitally delivered services' as

"services delivered over the internet or electronic networks, where the delivery is automated and require minimal or no human intervention including music, audio and video streaming services, cloud services, online software applications services, services delivered through online inter-personal interaction i.e., tele medicines, e-learning etc., online banking services, architectural design services, research and consultancy reports, accounting services in the form of digital files or any other online facility"

This amendment is aimed at broadening tax base by capturing online platforms and websites that provides such services.

E-Commerce defined

The Finance Act, 2025 has defined 'e-commerce' as:

"Sale or purchase of goods and services conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders either through websites, mobile applications or online marketplace having digital ordering features by using either mobile phone, iPad, Tablet or automated computer-to-computer ordering system".

This amendment is also aimed at broadening tax base by capturing transactions conducted digitally through e-commerce.

Exclusion of recreational clubs from non-profit organization status

Recreational clubs charging a membership fee exceeding one million rupees for new members has been excluded from ambit of activities otherwise qualifying for NPO approvals.

The amendment can otherwise be taken as re-enforcing such entitlement in the case of recreational clubs charging a membership fee up to one million rupees for new members.

Online market place definition broadened

The definition of an online marketplace has been broaden to include digital interfaces that facilitate transactions between multiple buyers and sellers, regardless of whether the platform assumes economic ownership of the goods or directly provides the services.

This amendment forms part of a broader strategy to expand the tax base by bringing transactions conducted through digital platforms within the tax net.

Reduction in surcharge on salaried individuals where taxable income exceeds rupees ten million

Surcharge at the rate of 10% was introduced through the Finance Act, 2024 on individuals and association of persons (AOP) where the taxable income exceeds rupees ten million. The said amendment has significantly impacted particularly the salaried class which widely represent compliant taxpayer community.

Considering the representations made through concerted efforts, such rate has been reduced to 9% for salaried person where taxable income exceeds rupees ten million in a tax year. This is in addition to general reduction in tax slab rates brought in the case of such salaried taxpayers.

Tax on payments for digital transactions in e-commerce platforms brought under final tax regime

The Finance Act, 2025 introduced final tax regime [FTR] for every person who receives payments for supply of digitally ordered goods or services which are delivered from within Pakistan using locally operated online platforms including online marketplace or websites.

This amendment as well as definitions of 'digitally delivered services' and 'e-commerce' are aimed at taxation of digitally delivered services and supply of goods through electronic platforms.

Tax shall be levied on the gross receipts at following rates:

S. No.	Description	Tax Rate
i	Digital Means or banking channels by payment intermediary	1% of the gross amount paid or payable
ii	Cash on Delivery by courier service	2% of the gross amount paid or payable

A proviso has been inserted to exclude proceeds offered to tax as export of goods and services under section 154 and 154A.

Similar amendments have also been made so as to enable banks and courier service providers to carry out necessary withholding as per the rates mentioned above.

Minimum fair market rent for commercial properties

Minimum fair market rent requirement for commercial properties, proposed under the Finance Bill, 2025 has been withdrawn.

Income from business - Recreational Clubs

Income derived by any trade, professional or similar association from sale of goods or provision of services is classified as 'income from business'.

An explanation was inserted through Finance Act, 2021 to clarify that income derived by co-operative societies from the sale of goods, immovable property or provision of services to its members is and has always been chargeable to tax under the provisions of this Ordinance.

This explanation was apparently inserted to nullify the effect of doctrine of mutuality as enunciated and held by the courts in various pronouncements holding that one cannot earn income from oneself.

Recreational clubs have been included in this explanation in an attempt to reinforce taxability in such cases.

Disallowance of deductions revamped

Purchases from persons not holding NTN

Section 21(q) disallows expenditure attributable to sales in proportion to the sales made to persons required to be registered but not registered under the Sales Tax Act, 1990.

This clause has been substituted with disallowance @ 10% of the claimed expenditure on account of purchases made from persons who are not NTN holders.

While the Finance Bill, 2025 proposed that this disallowance would not apply to direct purchases of agricultural produce from growers, the Finance Act, 2025 restricts this relief to purchases made through middlemen or from persons specifically exempted by the FBR through a notification.

Disallowance of expenditure in case receipt of payment is other than banking channels

New clause has been inserted whereby 50% of the expenditure claimed in respect of sales shall be disallowed, where taxpayer receives payment exceeding more than two hundred thousand rupees against single invoice otherwise than through banking or digital channels. Single invoice may contain one or more than one transactions of supply of goods or provision of services.

This amendment is aimed at greater documentation of economy by discouraging payments outside banking channels.

Restriction on depreciation allowance

Depreciation allowance on capital assets acquired would not be allowed, where the person has failed to deduct or deposit tax under sections 152 or 153 of the Ordinance, as applicable, on the payments made to the seller.

Curtailment of amortization period in case of intangibles

As per section 24(4) of the Ordinance, where an intangible asset does not have an ascertainable useful life, it is deemed to have a useful life of twenty-five years.

The above useful life has been reduced to fifteen years for the purpose of calculating amortization expense.

Loans, deposits, gifts received through digital means also excluded from being 'Income from other source'

In terms of section 39(3) of the Ordinance, loans, advances, deposits for issuance of shares, or gifts received through crossed cheques or banking channels are excluded from the ambit of income from other sources.

Such gifts etc. received through 'digital means' shall also remain outside the ambit of taxation.

Restriction on set off of "income from property" against business loss brought back

Prior to the Finance Act, 2021, a person was not allowed to set off a loss sustained under any head of income against the income from property.

Vide the Finance Act, 2021, law was amended allowing business losses to be set off against the Income from Property.

Now again setting off the business losses against income from property for the year has been restricted.

Benefit of group relief restricted to group entities taxed under corporate rate of tax

Section 59B of the Ordinance prescribes provisions for availing group relief.

Availing such benefit of group relief under section 59B of the Ordinance is now restricted to a company or companies within the group whose business income is not chargeable to tax at the corporate rate of tax under Division II of Part I of the First Schedule to the Ordinance.

Clarificatory amendment on tax credit for coal mining operations

Section 65F was introduced through the Finance Act, 2021, allowing a tax credit equal to 100% of the tax payable including minimum tax, alternate corporate tax, and final taxes of the following persons, subject to fulfillment of certain conditions:

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

The Finance Act, 2024 inserted an explanation clarifying that, in the case of persons engaged in coal mining projects, the tax credit shall apply only to income derived from coal mining operations.

The Finance Bill proposed to omit the word 'exclusively' from the first condition and Finance Act, 2025 added the words 'to the extent the income is derived from'. This would mean that such entities not supplying exclusively to power generation projects shall still remain eligible to tax credit but to the extent of income derived from coal mining operations in Sindh supplying coal to power generation projects.

Tax credit allowed for interest paid on low cost housing loan

New section 63A has been inserted whereby an individual can claim a tax credit for a tax year on any profit on debt or share in rent or share in appreciation made on a loan (other than deductible under section 15A), where:

- loan should be used for constructing or purchasing one personal house (having land area of up to 2500 square feet) or flat (having total area of up to 2000 square feet),
- loan obtained from scheduled bank or any other financial institution regulated by the SECP or advanced by Government or the Local Government or a statutory body or a public company listed on a registered stock exchange in Pakistan.

Tax credit under section 63A cannot be claimed for any other house or flat for the next fifteen tax years.

Tax Credit is to be computed on average rate of tax on the lesser of —

- the total profit on debt referred to in sub-section (1) paid by the person in the year;
- thirty per cent of the person's taxable income for the year.

Allowability of depreciation or cost in case assets even purchased through digital means

Section 75A of the Ordinance prescribes that the assets must be purchased through cross cheques, banking instruments to remain eligible for claim of depreciation etc. or allowability of cost.

Now 'digital means' included in the above allowable mode for purchasing assets.

Replacement of tax exemption tables with unified tax credit table for charitable organizations

Prior to the amendment, clause 66 of Part I of the Second Schedule contained two separate tables:

- One for persons whose income was fully exempt from tax, and

- Another for persons whose income was exempt, subject to the provisions of Section 100C.

The Finance Act, 2025 now streamlines this structure by deleting both tables and inserting a single unified table.

After this, a specified non-profit and charitable entities will be eligible for a tax credit, subject to the fulfillment of conditions laid out in section 100C of the Ordinance.

This amendment aims to simplify the regime and ensure consistent treatment to enforce compliance through tax credits instead of outright exemptions.

Entitlement to carry forward minimum tax reduced

Minimum tax paid on turnover in excess of normal tax liability is available for adjustment against normal tax of subsequent three tax years (previously five years before amendment through Finance Act, 2022).

Through Finance Act, 2025 time limit for carry forward is now reduced to two years.

Consistent pattern of amendments to reduce this carry forward period is a matter of concern for entities and sectors in struggling phases.

Restrictions on economic transactions by ineligible persons

A new Section 114C with thresholds in the Fifteenth Schedule has been inserted to restrict the following economic transactions for ineligible persons:

S. No.	Description	Transaction value specification	Tax Rate
1	Booking, purchase, or registration of motor vehicles	Invoice value for locally manufactured vehicle; or the import value as assessed by the Customs Authority inclusive of all applicable taxes, duties, levies and charge.	Exceeding seven million rupees.
2	Registering, recording or attesting transfer of any immoveable property	Fair Market Value as defined in clause (22AA) of section 2 of the Ordinance	Exceeding one hundred million rupees.
3	Investment in securities, debt securities, units of mutual funds or money market instruments subject to the condition that the investment amount up to rupees fifty million shall be new investment in any financial year excluding reinvestment either by liquidation of similar type of securities and or reinvestment of returns earned on already held securities.	Acquisition cost of securities or debt securities or unit of mutual funds or money market instruments	Exceeding fifty million rupees.
4	Annual cash withdrawal limit		One hundred million rupees in all Bank accounts held by an individual

A person will be treated as eligible if it has:

- Filed a return for the tax year immediately preceding the year of the transaction; and
- Declared sufficient resources in its wealth statement (in the case of an individual) or financial statements (in the case of a company or AOP).

Alternatively, a person may file a Sources of Investment and Expenditure Statement on the FBR portal, explaining the source of funds for the relevant transaction.

The term “sufficient resources” is defined as 130% of the transaction value, represented by cash and cash-equivalent assets such as local or foreign currency, gold, stocks, receivables, or any other prescribed asset. Where an asset is acquired in exchange for previously declared capital assets, the declared value of such disposed assets will be considered as part of the cash-equivalent resources.

Exemptions apply to transactions by non-residents and public companies (except in respect of the cash withdrawal cap).

Importantly, filing a ‘Sources of Investment and Expenditure Statement’ or declaring sufficient resources will not be treated as disclosure of income for the purposes of Section 111 (unexplained income/assets).

The above restrictions shall take effect from a date notified by the Federal Government, with such adjustments to the thresholds in the Fifteenth Schedule as it considers appropriate.

Deemed assessment subject to automated adjustments

Vide Finance Act 2020, concept of automated assessment was introduced and deemed assessment was subject to prescribed automated adjustment on assessment.

Now the assessment of taxable income and deemed assessment by the Commissioner thereon shall be subject to such automated adjustments.

This appears an attempt to synchronize the overall scheme once the provisions for automated adjustments are made applicable by the Board through notification in the Official Gazette.

Time limit to complete amendment proceedings proposed to be done away with

Finance Act, 2021 provided a time limitation of 180 days for issuing the amended assessment order under section 122(5) or 122(5A) of the Ordinance from the date of issuance of the show-cause notice under the relevant sub-sections.

While the Finance Bill proposed to remove the time limitation, the Finance Act, 2025 retains the limitation period for completing amendment proceedings after issuance of a show-cause notice, with the period extended from 180 days to one year.

Amendments in the mechanism related to appeal effect orders

Currently, the law is silent on requirement of the appeal effect order for recovery of the tax demand in case the order appealed against / tax demand is confirmed by the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court [appellate authorities].

The Finance Act, 2025 has inserted a new sub-section whereby appeal effect order shall not be required to be passed where the tax payable as determined in the order appealed against is confirmed by the abovementioned appellate authorities.

In case of partial modification i.e. set aside, confirmed or remand back of the order subject to appeal before Appellate Tribunal, High Court or Supreme Court, the appeal effect shall be given on the issues and tax

payable confirmed or modified by the Appellate Tribunal, High Court or Supreme Court excluding the issues and tax payable that have been set aside or remanded back and recovery shall be enforced accordingly.

This amendment is sharply in contrast with the concept of composite assessment of income for the complete fiscal year. Appeal effect orders in such cases should only be issued once proceedings on all issues [including those remanded back] is complete.

The concept of pecuniary jurisdictions to be omitted

The Finance Act, 2024 introduced the pecuniary jurisdiction of appeals under section 126A of the Ordinance whereby right to appeal to the taxpayers was effectively reduced from two to one forum and the High Court was empowered to decide the reference on the basis of both question of facts and question of law. This was an ambitious attempt for speedy disposal of the tax litigation, however, was widely assailed by the tax bars cautioning that this may result in further staggering of litigations as against its conceived objectives of efficient disposal of litigations.

The Finance Act, 2025 now omitted this section. Appeals against orders issued by Inland Revenue officers can now be filed before the Commissioner (Appeals) regardless of the tax amount involved.

Alike its introduction, it is recommendable that this omission should entail a proper transitional/ sunset clause.

Alternative dispute resolution mandated for SOEs

Section 134A of the Ordinance relating to Alternative Dispute Resolution mandate exclusion of State-Owned Enterprise (SOE) from approaching appellate forums compelling them to apply for Alternative Dispute Resolution.

Now SOEs have also been explicitly excluded from filing appeal before the Commissioner (Appeals) .

Moreover, an option is inserted to the aggrieved person to prefer an appeal either before the Commissioner (Appeals) or avail the next appellate forum directly i.e. Appellate Tribunal Inland Revenue.

Eligibility for appointment as member of the Appellate Tribunal

Presently, one of the eligibility criteria for a person to be appointed as member of Appellate Tribunal is that the person has practiced for 10 years as a chartered accountant.

Now the Finance Act, 2025 provides eligibility for the person for an aggregate period of not less than 10 years as:

- i. In practice as a Chartered Accountant, either individually or in a firm of Chartered Accountants; or
- ii. A Chartered Accountant and has been in employment of a Chartered Accountant in practice for at least for a period of 10 years.

Filing of appeal before the Appellate Tribunal

In view of omission of section 126A and changes in section 127, sub-section (1) of section 131 is substituted to:

- Provide for filing appeals before the Appellate Tribunal Inland Revenue within 30 days of receipt of the order passed by the Commissioner (Appeals).
- Provide an option to the taxpayer for direct filing of appeal against the order of the Officer Inland Revenue before the Appellate Tribunal.

- The law as amended in 2024 bestowed right for appeal to 'persons' only which does not include Commissioner. Hence, in certain cases the Tribunal held that Commissioners now have no right to file appeal at Tribunal. This is to be addressed by providing specific right of appeal to the Commissioners.

The above substitution may restrict right of appeal in following cases:

- Presently orders passed by the Chief Commissioner (i.e. under section 122B) are also challengeable before the Tribunal. This was made applicable in year 2024 but is now done away with to restore the historic position that such orders are to be assailed only before the High Courts.

This appeal mechanism should be kept intact in an attempt to address such matters through hierarchy of appellate forums before being escalated to the High Courts through reference.

- Presently, under the proviso to sub-section (1) to section 131 provides an SOE to file the appeal before the Appellate Tribunal Inland Revenue in case the matter is referred to ADRC who fails to decide the matter within 60 days of its constitution leading to its dissolution and the matter shall be decided by the court or the appellate authority where the dispute is pending litigation.

This is not embodied in the newly amended provisions. This may cause SOEs being defied appellate rights even if the ADRCs fails to decide the matter.

A proper amendment is needed on this through necessary curative legislation and to bring this section in line with section 134A(11).

Reference before the High Court

In view of omission of section 126A and changes in section 127 by the Finance Bill, certain editorial changes in sub-section (1) of section 133 have been made whereby amongst others, the filing of reference before High Court is being limited to question of law only.

Alternative Dispute Resolution beefed up in the case of SOEs

Presently, if ADRC fails to decide the matter referred to it within 60 days of its constitution the committee stands dissolved and the matter is required to be decided by the court of law or the appellate authority wherein it is pending under litigation.

Now in case of SOE, the limit of 60 days may be extended and after 60 days the Board shall reappoint the committee to decide the dispute within further 60 days in accordance with procedure laid down under section 134A of the Ordinance.

Enhanced recovery powers

The Finance Act, 2025 ratify the changes brought through Tax Laws Amendment Ordinance, 2025 in section 138 and 140 that provide for recovery and attachment of the assets of the taxpayer.

By virtue of these amendments tax payable under any provision of the Ordinance or any assessment order shall become immediately payable or within the time specified in the notice issued by the income tax authority, irrespective of the time provided under any other provision of the Ordinance or any decision or judgment, subject to the following conditions:

- the case has been decided in favour of the department by three appellate forums, including the High Court;
- recovery shall be limited to the lowest amount of demand confirmed by any of the three forums; and
- tax payable exceeds PKR 200 million.

Requirement of seven days prior notice, as proposed in the Bill, has not been approved in Finance Act, 2025.

These amendments will lead to certain interpretation issues such as:

- i. It is not clear as to whether the issue giving rise to the tax payable decided by a High Court or Supreme Court in the taxpayer's own case or in general.
- ii. Tax authorities may attempt to invoke this even in the cases where appeal is filed against the order and a stay is in field or not.

However, we would like to highlight that when such provisions are introduced with respect to recovery measures or to curtail powers of the court in respect of stay of demand, they usually have to undergo the litmus test for conformity to Article 199 of the Constitution. Therefore, we believe that this newly introduced provision may also have to go through such litmus test in the court of law.

Non-deduction of tax on imports under DPPT

Where the recipient of goods is liable under Digital Presence Proceeds Tax Act, 2025 and such levy has been collected, the Collector of Customs shall not deduct tax at the time of import.

This provision ensures that tax is not collected twice in respect of the same transaction.

Taxation of pension

A new sub-section (1A) in section 149 of the Ordinance has been inserted requiring the person, responsible for making payment of pension to a former employee below the age of seventy (70) years deriving pension income during a tax year, to deduct tax from such payment exceeding Rs. 10 million in that tax year at the applicable rates provided under Division I of Part I of the First Schedule to the Ordinance, i.e. 5% of the amount exceeding Rs. 10 million.

The applicable rate structure under Division I of Part I has been separately prescribed for persons deriving pension income including surcharge payable under section 4AB of the Ordinance. Deduction of tax is to be made after allowing adjustment for tax already withheld under other heads and admissible tax credits under sections 61 and 63 of the Ordinance.

Furthermore, a new proviso is inserted in Clause (1) of Division I, Part I of the First Schedule, which provides that where an individual derives income on account of pension from former employee will be taxed at zero percent if the pension does not exceed Rs. 10 million and at 5 percent if it exceeds Rs. 10 million.

References to annuity, supplement to pension or annuity, and commutation of pension have been removed from the proposed provisions; therefore, their existing exemptions remain intact. Taxing pension under the head "Income from Other Sources" has also been eliminated. Unlike the Finance Bill, the Finance Act, 2025 has further removed the term "solely" from pension.

A simplified rate structure has been introduced, and pension received from a former employer whereby it is to be taxed under this special tax structure as mentioned above.

We understand that where pension is received from a former employer, such income shall be taxed under the head "Salary" and tax shall be withheld under the aforesaid structure. Consequently, the surcharge under section 4AB shall be applicable at the rate of 9 percent.

Since, pension is covered under section 39(1)(g) of the Ordinance, we understand where pension is received from a source other than a former employer, such as under a voluntary pension scheme, it shall be taxable under the head "Income from Other Sources". In such a case, if the income exceeds Rs. 10 million, the surcharge under section 4AB of the Ordinance shall be applicable at the rate of 10 percent and not at 9 percent.

Since no withholding mechanism has been prescribed for pension taxable under the head "Income from Other Sources", the tax and applicable surcharge shall be paid by the recipient at the time of filing the return of income.

Gain arising on disposal of certain debt securities

A new section 151A of the Ordinance has been inserted which provides that every custodian of debt securities including a banking company responsible to maintain Investor Portfolio Securities (IPS) Account on behalf of the holder of a debt security shall at the time of disposal of debt securities including government securities deduct tax at the rate of 15 percent of the gross amount of capital gain arising to such holder of debt securities.

However, these provisions shall not apply on gain on disposal of debt securities made through registered stock exchange and which are settled through NCCPL.

The capital gain is to be computed by subtracting cost from the proceeds.

It is important to mention that the capital gain arising on debt securities in case of companies shall be chargeable at the applicable corporate tax rates based on the proviso to Division VII of Part I of First Schedule to the Ordinance. Whereas, in case of individuals, at 15 percent where the security was acquired on or after 1 July 2024.

Payment to non-resident under section 152 of the Ordinance

Under the existing provision, when a banking company or financial institution remits any fee for offshore digital services outside Pakistan on behalf of a resident person or the permanent establishment of a non-resident, it is required to deduct tax at the rate of 10% at the time of remittance.

A new proviso is added whereby no tax will be deducted under this sub-section if the recipient is also liable Digital Presence Proceeds Levy and tax under the same has been collected. This is meant to avoid duplication of tax.

Further, at present, the law requires that where a banking company or financial institution maintains a Special Convertible Rupee Account (SCRA) for a non-resident company that has no permanent establishment in Pakistan, tax at the rate of 10 percent is to be deducted on capital gains arising from the sale of debt instruments and government securities including Treasury Bills and Pakistan Investment Bonds. -.

Further, a new proviso is added in sub-section (1D), requiring that the rate of 10 percent will only apply if the SCRA has been maintained for at least six months and if the holding period of these securities is less than six months, then the capital gains will be taxed at the higher rate of 20 percent instead of 10 percent.

Payment for goods, services and contracts under section 153 of the Ordinance

A new sub-section (2A) to section 153 of Ordinance has been inserted according to which tax shall be collected at the time of payment in cases where goods or services are ordered through local operated e-commerce platforms, including websites. In such cases, two types of persons will be responsible for collecting the tax:

- i. A payment intermediary who processes digital payments on behalf of the seller; and
- ii. A courier service that collects cash from the buyer under Cash on Delivery (CoD) terms on behalf of the seller.

Both the payment intermediary and the courier service will collect tax from the gross amount payable to the seller (including sales tax, if any) and deposit the same into the government treasury as per the tax rates introduced in Division IVA of Part I of the First Schedule to the Ordinance.

Through the Finance Bill, a new sub-section (2B) was proposed which provides that where tax is collected under sub-section (2A) of section 153 by a payment intermediary or courier service, no further deduction would be made under sub-section (1) of section 153 by the payer. However, this provision has not been incorporated in the Finance Act, 2025 resulting in potential duplication of tax deduction on the same transaction.

Amendment has been made in sub-section (4) of section 153 whereby the Commissioner is now empowered to issue full exemption certificates to public limited companies instead of reduced rate certificates.

In addition, definitions of “payment intermediary” and “courier service” being ‘prescribed person’ have been inserted in sub-section (7) of section 153 of the Ordinance for clarity and legal recognition.

The term “courier service” means any specialized entity that provides fast, secure and often tracked transportation of documents, packages and small freight, typically offering door-to-door delivery solutions of goods within specific timeframes and in case of digitally ordered goods in e-commerce delivery and collection of cash (CoD) on behalf of the seller and such delivery service provider includes but not limited to –

- a) Logistics services;
- b) ride-hailing services;
- c) food delivery platforms; and
- d) e-commerce services

The term “payment intermediary” means any third part entity including a banking company, financial institution, a licensed foreign exchange company or payments gateways that facilitate the transfer of funds or payment instructions between two or more parties to enable, process, route or settle payments in a financial transaction, without being the ultimate source or recipient of the payment;”

Furnishing of information by online marketplace, payment intermediary and courier service

A new section 165C in the Ordinance has been inserted, which provides as follows:

- (1) Every payment intermediary and courier service responsible for collecting tax under sub-section (2A) of section 153 of the Ordinance shall be required to file a quarterly withholding statement with the Commissioner, in the prescribed manner, in respect of the sale of digitally ordered goods and services. The statement shall include the following particulars:
 - a) Name, National Tax Number (NTN) or Computerized National Identity Card (CNIC) number, and address of the seller;
 - b) Date of transaction, unique transaction identifier (such as invoice number), and total transaction value;
 - c) Total amount of tax deducted at the time of payment to the seller; and
 - d) Any other particulars as may be prescribed.
- (2) Every online marketplace operating in Pakistan shall be required to submit a monthly statement containing the following details:
 - a) Name, address, sales tax registration number, and income tax registration number of each vendor registered on its platform and engaged in the supply of digitally ordered goods or services through e-commerce;
 - b) Transaction-wise and aggregated monthly turnover of each vendor; and
 - c) The amount deposited into each vendor’s bank account against such sale transactions.
- (3) The provisions of section 165 of the Ordinance, other than sub-sections (1), (1A), and (6), shall apply mutatis mutandis to the statements required under this section. This shall include the due date for filing of withholding statements, revision of statements, powers of the Commissioner to call for statements,

extension of time for filing, powers of the Board, filing of annual withholding statements, and reconciliation of withholding statements with the annual income tax return.

Exemption from advance tax on sale of long-held residential property

A new sub-section (1B) has been inserted in section 159, empowering the Commissioner to issue an exemption certificate from advance tax collection under section 236C, upon application, where the capital gain on disposal of a residential immovable property is not taxable under section 37(1A).

The exemption applies if:

- a. the property has been in the applicant's personal use for the last fifteen years;
- b. it has been declared in the wealth statement under section 116 for the same period; and
- c. it is reflected in tax records as a residence for personal use.

This exemption certificate may be issued only once in fifteen years.

Exchange of banking and tax information related to high-risk persons

A new section 175AA in the Ordinance has been inserted which begins with a non-obstante clause, overriding any other law in force, including the Banking Companies Ordinance, 1962, section 216 of the Ordinance, and any relevant regulations issued under the State Bank of Pakistan Act, 1956.

Under the said section:

- (a) The FBR may share the information relating to turnover, income including taxable income, and identification particulars such as bank account numbers declared in income tax returns, wealth statements, financial statements, or any other documents submitted to the Board, in respect of persons or classes of persons, with scheduled banks in Pakistan. Such sharing may also include data-driven algorithms or risk models as may be prescribed by the Board.
- (b) In response, scheduled banks shall be required to furnish to the FBR details, including name and account numbers, of such persons whose banking data appears to be inconsistent with the information or algorithms provided under clause (a) above.

Furthermore, these provision mandates that all such information exchanged shall be utilized strictly for tax related purposes and shall be kept confidential.

Posting of officer of Inland Revenue

A new section 175C has been inserted which empowers the FBR or the Chief Commissioner, subject to such conditions and restrictions as deemed fit to be imposed, to post an officer of Inland Revenue or such other officials with any designation working under the control of the FBR or the Chief Commissioner, to the premises of any person or class of such persons to monitor production, supply of goods or rendering or providing of services and the stock of goods not sold at any time.

Enforcing tax registration for e-Commerce and courier services

The Finance Act, 2025 has amended section 181(1) which encompasses the expression "including a person selling digitally ordered goods or services from within Pakistan using online marketplace or a courier service, as the case may be" after the word "taxpayer", thereby aiming to mandate tax registration for persons selling goods and services through digital platforms.

A new sub-section (1A) has been inserted to Section 181, requiring online marketplaces and courier services engaged in e-commerce to restrict platform access only to vendors registered under the Income Tax Ordinance.

Insertion of new penalties and increase in penalties

The salient features of the new penalties are as follows:

S. No.	Description	Penalty	Relevant section
12B	Where a banking company or payment gateway or a courier service provider, as the case may be, fails to deduct tax at the time of making payment to a seller, or fails to pay the tax deducted as required under section 160, with respect to digitally ordered goods or rendering or providing of digitally delivered services using e-commerce platform.	Such person shall pay a penalty equal to hundred percent of the amount of tax involved.	153(2A)
15A	Any seller supplying digitally ordered goods and digitally delivered services through online marketplace who is required to register under Income Tax Ordinance, 2001, fails to register.	Such seller shall pay a penalty of five hundred thousand rupees for the first default and one million rupees for every subsequent default.	181

The salient features of the amendment in penalties are as follows:

S. No.	Description	Change in Penalty	Relevant section
1A	Where any person fails to furnish a statement as required under section 165, 165A, 165B or 165C within the due date.	Increase in the penalty from Rs. 5,000 to Rs. 50,000. However, the increased penalty is restricted to cases where the statement under Section 165 is not filed despite timely withholding and payment of tax and where information under Sections 165A and 165B is submitted within 90 days of the due date. While the penalties under the clause for all other cases are intact.	165, 165A, 165B and 165C

Authorizing auditor appointed by commissioner as tax authority

The Finance Act, 2025 has authorized the auditor appointed by the Commissioner under section 222 as income tax authority.

Limitation on Commissioner's condonation powers and introduction of respective committee

Two further provisos have been inserted to Section 214A, restricting the Board or the Commissioner's power to grant condonation of time limitations to a maximum of two years and to empower a committee notified by the Board to condone delays beyond this period, where there is reason to believe that a significant loss to the exchequer has occurred due to an act of omission or commission by the taxpayer or the Commissioner. This power is subject to the condition that the taxpayer is given a reasonable opportunity of being heard.

Expanded scope for disclosure of taxpayer information to contractual auditors and other specified authorities

The Finance Act, 2025 has expanded the scope of permissible disclosures of taxpayer information such as returns, accounts, and other evidentiary materials to auditors appointed on a contractual basis or engaged through third parties (e.g., payroll firms) by the Federal Board of Revenue through inclusion of clause 3(ba) to section 216. However, such disclosure will be allowed after execution of a prescribed non-disclosure agreement, for the purpose of assisting FBR and relevant Inland Revenue authorities in discharging of their functions.

Scope of permissible disclosures under clauses 3(kd) and 3(ke) has also been expanded, allowing taxpayer information to be shared with the Tax Policy Office for research and policy analysis, and with recognized universities and international donor agencies. However, only anonymized data may be shared with universities and international donor agencies to ensure confidentiality.

Clarification on electronic service of notices to representatives

The Finance Act, 2025 has amended clause 2(d) of section 218 by replacing the term 'Individual' with 'Person', to clarify that electronic service of notices and orders on any person (other than a resident individual) shall be treated as valid service.

Explicit power to appoint auditors

An additional sub-section in section 222 has been inserted, granting the FBR explicit authority to appoint as many auditors, on a contractual basis or through third party arrangements, as deemed necessary for the purposes of the Ordinance not exceeding two thousand auditors. While Commissioners previously held the power to appoint experts, this amendment broadens the scope by empowering the Board specifically to appoint auditors.

Exclusion of ADRC proceeding period from computation of period of limitation

The Finance Act, 2025 has amended Section 226(b)(ii) to exclude, for the purpose of computing the limitation period, the time during which proceedings remain pending before the ADRC. Currently, the exclusion applies only to proceedings pending before a court, Appellate Tribunal, or other authority which was very broad and explicitly included ADRC.

Increase in advance tax on cash withdrawals by non-active taxpayers

Section 231AB currently provides that if a person who is not an active taxpayer makes a cash withdrawal exceeding fifty thousand rupees in a single day, the bank shall deduct adjustable advance tax at the rate of 0.6% of the withdrawn amount. This rate has now been increased to 0.8%.

First Schedule

The Finance Act, 2025 has reduced the tax rates for salaried individuals. The comparison of existing and new rates are as follows:

Taxable income (Rs.)		Existing Rate	New Rate
Upto 600,000	0%	0%	0%
600,001 to 1,200,000	5% of the amount exceeding Rs. 600,000	1% of the amount exceeding Rs. 600,000	
1,200,001 to 2,200,000	30,000 + 15% of the amount exceeding Rs. 1,200,000	6,000 + 11% of the amount exceeding Rs. 1,200,000	

Taxable income (Rs.)	Existing Rate	New Rate
2,200,001 to 3,200,000	180,000 + 25% of the amount exceeding Rs. 2,200,000	116,000 + 23% of the amount exceeding Rs. 2,200,000
3,200,001 to 4,100,000	430,000 + 30% of the amount exceeding Rs. 3,200,000	346,000 + 30% of the amount exceeding Rs. 3,200,000
4,100,001 and above	700,000 + 35% of the amount exceeding Rs. 4,100,000	616,000 + 35% of the amount exceeding Rs. 4,100,000

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

Annual Salary (Rs.)	Tax Liability		Tax incidence	
	Existing (Rs.)	New (Rs.)	(reduction) (Rs.)	(reduction)
600,000	-	-	-	-
1,200,000	30,000	6,000	(24,000)	80%
2,200,000	180,000	116,000	(64,000)	36%
3,200,000	430,000	346,000	(84,000)	20%
4,100,000	700,000	616,000	(84,000)	12%
10,000,000	2,765,000	2,681,000	(84,000)	3%

Tax rates on pension

The Finance Act, 2025 has prescribed tax rates on individuals deriving income from pension from former employer for tax year as follows:

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

(Division IIB, Part I, First Schedule)

Rate of super tax

Without changing the existing position for tax years 2022-2025, the Finance Act, 2025 has reduced the rates of super tax for tax year 2026 and onwards as provided in comparison with tax years 2022-2025 by replacing the table as under:

S. No.	Income under section 4C	Rate of tax		
		For tax year 2022	For tax year 2023, 2024 and 2025	For tax year 2026 and onwards
1.	Where income does not exceed Rs. 150 million	0% of the income	0% of the income	0% of the income
2.	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1% of the income	1% of the income	1% of the income
3.	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2% of the income	2% of the income	1.5% of the income
4.	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3% of the income	3% of the income	2.5% of the income
5.	Where income exceeds Rs. 300 million but does not exceed Rs. 350 million	4% of the income	4% of the income	3.5% of the income
6.	Where income exceeds Rs. 350 million but does not exceed Rs. 400 million		6% of the income	5.5% of the income
7.	Where income exceeds Rs. 400 million but does not exceed Rs. 500 million		8% of the income	7.5% of the income
8.	Where income exceeds Rs. 500 million		10% of the income	10% of the income

(Division III, Part I, First Schedule)

Tax on dividend on mutual funds

Through Finance Act, 2024, dividend on mutual funds deriving 50% or more of their income from profit on debt was chargeable to tax @ 25%, whereas, in case of other mutual funds, dividend was chargeable to tax @ 15%.

Now, the Finance Act, 2025 has charged tax at the rate of 25% and 15% on dividend in case of all mutual funds in proportion to income derived from average annual investments in debt securities and equities respectively. Accordingly, corresponding change has also been made for withholding of tax under section 150 under Division I of Part III to the First Schedule.

A new proviso has been added via the Finance Act, 2025 providing that where the recipient of the dividend is a corporate entity, the portion of the dividend derived from debt securities shall be taxed at the rate of 29%.

(Division IIIA, Part I, First Schedule)

Rate for Profit on Debt

The Finance Act, 2025 has revised the tax rate for profit on debt under section 7B as follows:

Profit on debt paid under section 7B	Existing	New
By banking company / financial institution	15%	20%

Profit on debt paid under section 7B	Existing	New
On Government Securities paid to any person other than an individual	15%	20%
Other than above	15%	15%

Accordingly, change has also been made for withholding tax under section 151 under Division IA of Part III to the First Schedule.

(Division IV, Part I, First Schedule)

Tax rate on fee for offshore digital services

The Finance Act, 2025 has enhanced tax rate on fee for offshore digital services from 10% to 15%.

(Division IVA, Part I, First Schedule)

Tax on payments for digital transactions in e-commerce platforms

The Finance Act, 2025 has prescribed tax rates for payment through digital means / banking channel by payment intermediary and payment through cash on delivery by courier services, which have been given at page No. 12 of this Brief.

Accordingly, corresponding change has also been made for withholding of tax under section 153(2A) under Division III of Part III to the First Schedule.

(Division IAA, Part III, First Schedule)

Withholding tax on capital gain on disposal of certain debt securities

The Finance Act, 2025 has prescribed 15% withholding tax rate on gross amount of capital gain on disposal of debt securities specified under section 151A of the Ordinance.

(Division II, Part III, First Schedule)

Increase in tax rate on payments to non-residents having Permanent Establishment

The Finance Act, 2025 has increased rate of withholding tax applicable on payment on account of services including specified services and execution of contract by non-resident persons having permanent establishment. The changes in tax rates are summarized in Table below:

Nature	Person	Existing tax rate	New tax rate
IT services and IT enabled services	Company / other than company	4%	4%
Specified services other than IT services and IT enabled services	Company / other than company	4%	8%
Other than specified services	Company	9%	15%
Other than specified services	Other than company	11%	15%
Execution of contract	Sports person	10%	15%

(Division III, Part III, First Schedule)

Increase in tax rates on payments to resident persons

The Finance Act, 2025 has increased rate of withholding tax applicable on payment on account of services including specified services and execution of contract by resident persons. The changes in tax rates are summarized in table below:

Nature	Person	Existing tax rates	New tax rates
IT services and IT enabled services	Company / other than company	4%	4%
Electronic and print media for advertising services	Company / other than company	1.5%	1.5%
Specified services other than mentioned above	Company / other than company	4%	6%
Other than specified services	Company	9%	15%
Other than specified services	Other than company	11%	15%
Execution of contract	Sports person	10%	15%

(Division X, Part IV, First Schedule)

Advance tax on sale / transfer of immoveable property increased

The Finance Act, 2025 has enhanced tax rate for sale or transfer of immoveable property. The changes in tax rates are summarized in table below:

S. No.	Amount	Existing tax rates	New tax rates
1	Where the gross amount of the consideration received does not exceed Rs. 50 million	3%	4.5%
2	Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs. 100 million	3.5%	5%
3	Where the gross amount of the consideration received exceeds Rs. 100 million	4%	5.5%

(Division XVIII, Part IV, First Schedule)

Advance tax on purchase of immoveable property reduced

The Finance Act, 2025 has reduced tax rate for purchase or transfer of immoveable property. The changes in tax rates are summarized in table below:

S. No.	Amount	Existing tax rates	New tax rates
1	Where the gross amount of the consideration received does not exceed Rs. 50 million	3%	1.5%
2	Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs. 100 million	3.5%	2%
3	Where the gross amount of the consideration received exceeds Rs. 100 million	4%	2.5%

Second Schedule

Part I – Exemption from total Income

Exemptions withdrawn

The Finance Act, 2025 has withdrawn the following exemptions:

- Any Pension received by a citizen of Pakistan from a former employer, other than where the person continues to work for the employer (or an associate of the employer). [Clause 8]
- Any pension received in respect of service rendered by a member of Armed forces of Pakistan or Federal Government or a Provincial Government. [Clause 9(i)]
- Profits and gains derived between the first day of July 2022 and the thirtieth day of June, 2025 both days inclusive, by a venture capital company and venture capital fund registered under relevant Venture Capital Companies and Funds Management Rules issued by Securities and Exchange Commission of Pakistan. [Clause 152]

New exemptions introduced

The Finance Act, 2025 has introduced following new amendments:

- income of the certain funds, institutions, foundations and trusts have been granted unconditional exemption from tax. [Clause 57]
- monetary reward received by a sportsperson from the Federal or Provincial Government or a public office holder for winning a medal in the International Olympic Games while representing Pakistan have been granted exemption from tax from Tax Year 2025. [Clause 65B]
- income derived by ICC Business Corporation (IBC) or International Cricket Council (ICC) or employees, officials, agents and representatives of IBC and ICC, officials from ICC members, players, coaches, medical doctors and officials of members countries, IBC partner and media representatives, other than persons who are resident of Pakistan, from ICC champions trophy, 2025 hosted in Pakistan, shall be exempt from tax. [Clause 98AA]

Amendments in conditions of exemptions

- Clause (66) provides for exemption from tax on income earned by various institutions, foundations, societies, boards, trusts, and funds listed under Table-1 and Table-2. Entities listed in Table-1 are granted a straight exemption, whereas those in Table 2 are eligible for exemption only upon fulfillment of conditions specified in Section 100C.

Now, the Finance Act, 2025 has merged Table-1 and Table-2, and all entities listed therein that currently listed under Table-1 will also be required to fulfill the conditions laid down in section 100C to claim exemption.

Further, the Finance Act, 2025 added the following Non-Profit Organizations (NPOs) in the merged Table, which will also be eligible to claim exemption subject to fulfillment of conditions specified in section 100C.

- Beaconhouse National University
- Federal Ziauddin University
- Punjab Police Welfare Foundation Lahore

- Clause (126E) provides exemption to income derived by a zone enterprise as defined in the Special Economic Zones Act, 2012 for a period of ten years starting from the date the developer certifies that the zone enterprise has commenced commercial operations.

Now, the Finance Act, 2025 has restricted the above exemption for the period of ten years starts from the date the developers certifies that the Zone enterprise has commenced commercial operation or up to the 30th day of June 2035, whichever is earlier.

- Clause (126EA)(b) provides exemption to profits and gains derived by zone Enterprise as defined in the Special Technology Zones Authority Act, 2021 for a period of ten years from the date of issuance of license by the Special Technology Zone Authority.

Now, the Finance Act, 2025 has restricted the above exemption for the period of ten years from the date issuance of license by the special Technology Zone Authority or up to the 30th day of June 2035, whichever is earlier.

- Clause (145A) provide exemption to income as was exempt under the constitution prior to the (Twenty Fifth Amendments) 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 Baluchistan, up to 30 June 2023 extended for one year up to 30 June 2024 and then up to 30 June 2025.

Now the Finance Act, 2025 has further extended this exemption for one year up to 30 June 2026.

- Clause (151) provides exemption from tax to any income derived by a person from cinema operations for five years from the commencement of cinema operation.

Now, the Finance Act, 2025 has restricted the above exemption till 30 June 2030 or five years from commencement of cinema operations whichever is earlier.

Part II – Reduction in tax rates

Reduction withdrawn

The Finance Act, 2025 has withdrawn the reduction in tax rates on the following being redundant clauses:

- Subject to quota allotment by Commerce Division, tax under section 148, collected at the rate of 0.25% on import of raw sugar imported by sugar mills from the 26th day of January 2021 to the 30th day of June

2021 both days inclusive provided that such imports shall not exceed fifty thousand metric tons per sugar mill and three hundred thousand metric tons in aggregate by the sugar industry. [Clause 9AC]

- The rate of tax under clause (a) of sub-section (1) of section 153 in case of a person, other than a company, as a recipient of payment for goods supplied to Utility Stores Corporation of Pakistan shall be 1.5% of the gross amount of payment in respect of supply of tea, spices, salt, dry milk, sugar, pulses wheat flour and ghee for the period commencing from the 7th day of April, 2020 and ending on 30th day of September, 2020. [Clause 24CA]

Reduction introduced

The Finance Act, 2025 has introduced the reduction in withholding tax rate under clauses (b) and (c) of sub-section (1) of section 153 and subsection (1) of section 236A i.e. 3% for the National Logistics Corporation on gross payments and the gross sale price for the lease of toll collection rights.

The tax so deducted or collected shall fall under the minimum tax regime (MTR) means higher of tax under this clause and normal corporate tax will be discharged. [Clause 24CB]

Part III – Reduction in tax liability

Restoration of Tax Credit For full Time Teachers and Researchers

FBR was taking a stance that tax credit of 25% for full time teachers and researchers was withdrawn, however, there was a persistent view of taxpayers and FTO regarding the availability of such tax rebate after enactment of Finance Act, 2022.

Now, the Finance Act, 2025 has removed the ambiguity by restoring such tax rebate with effect from 1 July 2022. However, such rebate shall not be available for tax year 2026 and onwards. [Clause 3A]

Part IV – Exemption from specific provisions

Exemptions withdrawn

- The provision of section 148 shall not apply on import of 1.5 million tons of wheat having PCT Heading 1001.1900 and 1001.9900 in pursuance of Cabinet Decision in case No.399/23/2020 dated the 16th June 2020; [Clause 12F]
 - The provisions of section 148 shall, in pursuance of the Cabinet Decision in case No. 541/30/2020 dated the 4th August 2020, not apply on import by the Trading Corporation of Pakistan of 300,000 metric tons of white sugar having PCT heading 1701.9910, 1701.9920, specification B; [Clause 12G]
 - The provisions of section 148 shall, in pursuance of the Cabinet Decision in case No. 34/02/2021, dated the 12th January 2021, not apply on import of three hundred thousand metric tons of wheat through tendering process by the Trading Corporation of Pakistan. [Clause 12J]

New exemptions introduced

The Finance Act, 2025 has exempted withholding tax under section 148 on import of Cystagon, Cysta drops and Trientine capsules. [Clause 56(xx)]

The Finance Act, 2025 has excluded capital gains arising from the disposal of one residential immovable property from the scope of super tax under section 4C, provided that:

- (a) the property has been in the personal use of the individual for the past fifteen years;
- (b) it has been declared in the individual's wealth statement under section 116 for the same period; and
- (c) it is reflected in the tax record as a personal residence.

- This exemption shall be available only once every fifteen years. [Clause 104A]

Amendments in exemptions

- Currently, a person cannot be subject to audit under section 177 and 214C of the Income Tax Ordinance 2001 if the income tax affairs of the person have been audited in any of the preceding 4 tax years.

The Finance Act, 2025 has amended this exemption to the effect that provisions of section 177 and 214C for selection of a person for audit shall not apply (to a person) whose income tax affairs have been selected for audit in any of the preceding 3 tax years. [Clause 105A]

- 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 provinces of Khyber Pakhtunkhwa and Baluchistan, is valid up to 30 June 2024, extended up to 30 June 2025

Now, the Finance Act has further extended this exemption for one year up to 30 June 2026. [Clauses 109A and 110].

Seventh Schedule - [Banking Sector]

Significant amendments have been made to the Seventh Schedule, primarily affecting the tax treatment of leasehold improvements, right-of-use assets under IFRS 16, provisioning for non-performing loans and accounting adjustments under IFRS 9.

The key changes are summarized below:

Leasehold improvements

Expenditure on leasehold improvements in respect of leased or rented properties shall be capitalized and amortized at 10% per annum, starting from the date the asset is first put to use. In case of early lease termination, the unamortized balance (after adjusting for any proceeds) will be allowed as a deduction in the year of termination.

This was previously the subject of litigation, primarily due to the nature of rented (not owned) premises, where the allowability of such expenditure was decided through court proceedings. While this amendment may still give rise to disputes, particularly regarding its interpretation and application in specific cases.

Right-of-use assets (IFRS 16)

Depreciation on right-of-use assets and related finance costs will no longer be tax-deductible, regardless of accounting treatment. Instead, the actual rent expense incurred during the year will be allowed, subject to certification by the external auditor.

Adjustments for prior years (from tax year 2020 onward) will be made in tax year 2025 as follows:

- Excess deductions over actual rent will be added back to income.
- Short deductions will be allowed as expense.

Provisioning for non-performing loans

The Finance Act, 2025 enhanced requirements for the external auditor's certificate in respect of provisions for non-performing loans and their reversals; including:

- Allowed under SBP Prudential Regulations
- Recognised under IFRS 9

- Disclosed in the audited financial statements
- Eligible for tax deduction under the Seventh Schedule

Failure to furnish this certificate at the time of return filing will render the related deduction inadmissible for tax year 2025 and onwards.

The form of the certificate is appended at the end.

Restriction on deductible provisions

Seventh Schedule already restricts the deductibility of provisions to those classified as “Loss” under the SBP Prudential Regulations.

The amendment vide Finance Act, 2025 has reinforced this position by clarifying that only “Loss” provisions are admissible under Rule 1(c), while all other provisions including general provisions not aligned with the Prudential Regulations shall be disallowed.

IFRS 9 adjustments

Currently, adjustments made in a banking company’s financial statements under applicable accounting standards, policies, or SBP guidelines are excluded when computing taxable income.

The Finance Act, 2025 has restricted this exclusion specifically to adjustments arising under IFRS 9 and related SBP guidelines. This exclusion will operate subject to other provisions of Rule 1, including the limitation on deduction of provisions under Rule 1(c) and will apply from tax year 2025 and onwards.

Form of auditor certificate

On the Letter head of the External Auditor – [Chartered Accountant Firm]

CERTIFICATE UNDER RULE 1(C) OF THE SEVENTH SCHEDULE TO THE INCOME TAX ORDINANCE, 2001 FOR TAX YEAR 2025

To:

The Commissioner Inland Revenue, Zone-, Federal Board of Revenue,

I, the undersigned statutory auditor of **[Name of Banking Company]**, having conducted the audit of the annual financial statements for the year ended [insert date], in accordance with the applicable auditing standards and the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP), the International Financial Reporting Standard (IFRS) 9, and the Seventh Schedule to the Income Tax Ordinance, 2001, hereby certify the following:

Table-1 Category wise Gross Provisions "In Rupees"				
Particulars	Allowed under SBP Prudential Regulations	Recognized under IFRS 9	Disclosed in Annual Accounts	Eligible for Deduction under Rule 1(c), 1(d) & 1(e)
Substandard	(xxxx)		(xxxx)	(xxxx)
Doubtful	(xxxx)		(xxxx)	(xxxx)
Loss	(xxxx)		(xxxx)	(xxxx)
General Provision	(xxxx)		(xxxx)	(xxxx)
Specific			(xxxx)	(xxxx)

Stage 1		(xxxx)	(xxxx)	(xxxx)
Stage 2		(xxxx)	(xxxx)	(xxxx)
Stage 3		(xxxx)	(xxxx)	(xxxx)
Others (if any)	(xxxx)	(xxxx)	(xxxx)	(xxxx)
Total	(xxxx)	(xxxx)	(xxxx)	(xxxx)

Table-2 Category wise Reversal against Provisions "In Rupees"				
Particulars	Under SBP Prudential Regulations	Recognized under IFRS 9	Disclosed in Annual Accounts	Taxable under Rule 1(c), 1(d) & 1(e)
Substandard	(xxxx)		(xxxx)	(xxxx)
Doubtful	(xxxx)		(xxxx)	(xxxx)
Loss	(xxxx)		(xxxx)	(xxxx)
General Provision	(xxxx)		(xxxx)	(xxxx)
Specific			(xxxx)	(xxxx)
Stage 1		(xxxx)	(xxxx)	(xxxx)
Stage 2		(xxxx)	(xxxx)	(xxxx)
Stage 3		(xxxx)	(xxxx)	(xxxx)
Others	(xxxx)	(xxxx)	(xxxx)	(xxxx)
Total	(xxxx)	(xxxx)	(xxxx)	(xxxx)

We further certify that the above amounts have been derived from and are consistent with:

- The relevant provisions of the Prudential Regulations of SBP;
- IFRS 9 and applicable financial reporting frameworks;
- The disclosures made in the audited financial statements of the banking company; and
- The eligibility criteria specified in clause (c), (d) and (e) of Rule 1 of the Seventh Schedule to the Income Tax Ordinance, 2001.

This certificate is issued specifically for the purpose of compliance with the proviso to Rule 1(c) of the Seventh Schedule to the Income Tax Ordinance, 2001, as applicable for the tax year 2025 and onwards.

For and on behalf of

[Name of Audit Firm and Signing Partner]
Chartered Accountants

Tenth Schedule

Reduction in Rates prescribed for certain non-filers

The Finance Act, 2025 has reduced withholding tax rates for certain non-filers:

S. No.	Description	Existing		New
		Value of property	Rate	Rate
1	Section 236K on purchase of immovable property	up to 50 million rupees	12%	10.5%
		between 50 to 100 million rupees	16%	14.5%
		value above 100 million rupees	20%	18.5%
2	Section 151 for profit on debt	35%		Omitted

Finance Act 2025 has increased the withholding tax rate under 236C on sale or transfer of immovable property in case of non-filers from 10% to 11.5%

Change In tax rate for the category of late filers

Enhancement of withholding tax under section 236C for late filers on purchase of immovable property is made as under:

Value of property	Existing Rate	New Rate
Up to 50 million rupees	6%	7.5%
Between 50 to 100 million rupees	7%	8.5%
Value above 100 million rupees	8%	9.5%

Reduction in withholding tax under section 236K for late filers on sale or transfer of immovable property is made as under:

Value of property	Existing Rate	New Rate
Up to 50 million rupees	6%	4.5%
Between 50 to 100 million rupees	7%	5.5%
Value above 100 million rupees	8%	6.5%

Change in scope of progressive tax rates for non-filers on disposal of securities

The Finance Act, 2025 amended sub-rule (y) to Rule 10 thereby to exclude “tax collected under section 37A only on disposal of securities acquired on and from 1st day of July 2025 from application of the Tenth Schedule.

Fifteenth Schedule

Threshold for economic transactions

The Finance Act, 2025 has inserted new Fifteenth Schedule for the purposes of section 114C of the Ordinance, whereby the threshold of the economic transactions applied in respect of ineligible persons shall be determined. The same are produced on page 14 of this Brief.

Tax Rate Card

Tax rates for individuals (other than salaried individuals) and Association of Persons

[Division I, Part I]

S. No.	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 Nine percent of the income tax imposed under Division I of Part I of the First Schedule where the taxable income exceeds Rs. 10 million.

Tax rate for salaried individuals

[Clause I 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. No.	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	1% of the amount exceeding Rs. 600,000
3	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs. 6,000 plus 11% of the amount exceeding Rs. 1,200,000

S. No.	Taxable Income	Rate of Tax
4	Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs. 116,000 plus 23% of the amount exceeding Rs. 2,200,000
5	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 346,000 plus 30% of the amount exceeding Rs. 3,200,000
6	Where taxable income exceeds Rs. 4,100,000	Rs. 616,000 plus 35% of the amount exceeding Rs. 4,100,000

Tax rate on Pension

[Clause 2 of Division I of Part I]

Pension received by an individual from a former employer in a tax year, the rate of tax on such income shall be set out in the Table namely:-

S. No.	Description	Rate of Tax
1	Where amount of pension received does not exceed rupees ten million	0%
2	Where amount of pension received exceeds rupees ten million	5% of the amount exceeding Rs. 10 million

Tax rate for companies

[Division II, Part I]

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

S. No	Income under section 4C	Rate of Tax		
		For Tax Year 2022	For Tax Years 2023, 2024 and 2025	For Tax year 2026 and onwards
3	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2% of the income	2% of the income	1.5% of the income
4	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3% of the income	3% of the income	2.5% of the income
5	Where income exceeds Rs. 300 million but does not exceed Rs. 350 million	4% of the income	4% of the income	3.5% of the income
6	Where income exceeds Rs. 350 million but does not exceed Rs. 400 million		6% of the income	5.5% of the income
7	Where income exceeds Rs. 400 million but does not exceed Rs. 500 million		8% of the income	7.5% of the income
8	Where income exceeds Rs. 500 million		10% of the income	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 Real Estate Investment Trust and cases other than those mentioned in clauses (a), (ba) (c) and (d).	15%
(ba)	Dividend income received from mutual funds contingent on proportional income derived from average annual investments in debt securities and equity respectively.	25% 15%
	Dividend income received by corporate entities from mutual funds on component of income from debt securities	29%
(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 under section 7B of Ordinance is as follows:

S. No.	Category	Rate
(a)	Profit paid by banking company/ financial institutions	20%
(b)	Profit paid by Federal Government, Provincial Government or Local Government to person other than an individual	20%
(c)	Profit in cases other than those mentioned in clauses (a) and (b) above	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. No.	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 rupees one million.	12.5%
(c)	Where Sukuk holder is an Individual & AOP if the return on investment is less than rupees one million.	10%

Tax rates on certain payments

[Division IV, Part I]

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

S. No	Category	Rate
a)	Royalty	15%
b)	Fee for technical services/Fee for offshore digital services	15%
c)	Any other case	10%

Tax rates on payments for digital transactions in E-commerce platforms

[Division IVA, Part I]

The rate of tax on payments under section 6A for digitally ordered goods or digitally delivered services through e-commerce platforms, including websites, shall be determined on the mode of payment, as follow:

S. No	Category	Rate
a)	Digital means or banking channel by payment intermediary	1% of the gross amount paid or payable

S. No	Category	Rate
b)	Cash on delivery by courier service	2% of the gross amount paid or payable
d)	Shipping Income	8%
e)	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 follows:

S. No.	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 Active Taxpayers' List 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 Active Taxpayers' List on the date of acquisition and date of disposal of securities.
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%	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 Ordinance:

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

S. No.	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 Ordinance shall be as follows:

S. No.	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 Active Taxpayers' List 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 Active Taxpayers' List on the date of disposal of property.
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	-	Provided that the rate of tax for individuals and association of persons

S. No.	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	
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-	not appearing on the Active Taxpayers' List on the date of disposal, the rate of tax shall not be less than 15% of the gain.
7.	Where the holding period exceeds six years	0%	-	-	

Tax on builders

[Division VIIIA, Part I]

The rate of tax under section 7C of the Ordinance shall be as follows:

(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 to750	Rs. 20	Up to 750	Rs. 15	Up to750	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 VIIIB, Part I]

The rate of tax under section 7D of the Ordinance 2001 shall be as follows:

(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

(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			
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 Ordinance is 20%.

Minimum tax under section 113

[Division IX, Part I]

The rates of minimum tax under section 113 of Ordinance are follows:

S.No.	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; 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	0.25%
4	In all other cases	1.25%

Withholding Tax Collection / Deduction Rate Card

Note: Persons whose names do not appear in the Active Taxpayers List are subject to 100% increased withholding tax rates as prescribed in the First Schedule to the Income Tax Ordinance, 2001 (Ordinance) except for specified exclusions given in the Tenth Schedule to the Ordinance.

Section	Type of Payment	Rate %	Individual & 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 for its own use	Minimum / not minimum in the hands of industrial undertaking for its own use	Advance Tax Collection by Collector of Customs or payment intermediary as defined under section 153
II.	Persons importing goods classified in Part II of the Twelfth Schedule other than commercial importer	2 / 4	Minimum / not minimum in the hands of industrial undertaking 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 other than commercial importer	5.5 / 11	Minimum / not minimum in the hands of industrial undertaking for its own use	Minimum/ not minimum in the hands of industrial undertaking for its own use	
IV.	Import by manufacturers covered under rescinded SRO. 1125(I)2011 dated 31 December 2011	1 / 2	Adjustable	Adjustable	
V.	Persons importing finished pharmaceutical products that are not manufactured in Pakistan as certified by DRAP	4 / 8	Minimum	Minimum	
VI.	Import of Mobile phones	Varying rates	Minimum	Minimum	
VII.	Import of CKD kits of electric vehicles for small cars or SUVs with battery up to 50 kwh and LCVs with battery up to 150 kwh	1 / 2	Minimum	Minimum	
VIII.	Import by commercial importer of goods classified in Part II of Twelfth Schedule	3.5 / 7	Minimum	Minimum	
	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	

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
149	Salary				
I.	Where the taxable income does not exceed Rs. 600,000	0%	Adjustable	N/A	Person responsible for paying salary
II.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	1% of amount exceeding Rs. 600,000	Adjustable	N/A	Person responsible for paying salary
III.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs. 6,000 plus 11% of the amount exceeding Rs. 1,200,000	Adjustable	N/A	Person responsible for paying salary
IV.	Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs. 116,000 plus 23% of the amount exceeding Rs. 2,200,000	Adjustable	N/A	Person responsible for paying salary
V.	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 346,000 plus 30% of the amount exceeding Rs. 3,200,000	Adjustable	N/A	Person responsible for paying salary
VI.	Where taxable income exceeds Rs. 4,100,000	Rs. 616,000 plus 35% of the amount exceeding Rs. 4,100,000	Adjustable	N/A	Person responsible for paying salary
VII.	Where taxable income exceeds Rs. 10 million	Surcharge at the rate of 9% of tax liability arising on salary	Adjustable	N/A	Person responsible for paying Salary will also be required to withhold the amount of surcharge
VIII.	Pension received by an Individual from a former employer in a tax year, below the age of 70 years, where the amount of pension received exceeds Rs. 10 million	5% of the amount exceeding Rs. 10 million	Final	N/A	Person responsible for paying salary
IX.	Director fee	20% of the gross amount payable	Adjustable	N/A	Payer of director fee
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	25 / 50	Final	Final	Tax Deduction by the payer of dividend

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
	business losses or claim of tax credit				
III.	- Dividend received by a REIT scheme from Special Purpose Vehicle	0	Final	Final	Tax Deduction by the payer of the dividend
	- In case of dividend received by others from Special Purpose Vehicle as defined under the Real Estate Investment Trust Regulations, 2015	35 / 70			
IV.	Real Estate Investment Trust	15 / 30	Final	Final	Tax Deduction by the payer of the dividend
V.	In case of Mutual Funds, where proportional income derived from average annual investments in Debt Securities where recipient is:		Final	Final	Tax Deduction by the payer of dividend
	- Corporate entity	29 / 58			
	- Others	25 / 50			
	In case of Mutual Funds, where proportional income derived from average annual investments in Equities	15 / 30			
VI.	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 / 30	Final / Minimum (if more than Rs. 5 million)	Adjustable	Tax Deduction by the payer of the profit
II.	Yield or profit on a debt, being on an account or deposit maintained with a banking company or a financial institution	20 / 40	Final / Minimum (if more than Rs. 5 million)	Adjustable	Tax Deduction by the payer of the profit
III.	Yield or 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	Where the profit is derived by Individual, the rate shall be 15 / 30; and Where the profit is derived by Company or AOP, the rate shall be 20 / 40	Final / Minimum (if more than Rs. 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	15 / 30	Final / Minimum (if more than Rs. 5 million)	Adjustable	Tax Deduction by the payer of the profit

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
	institution) issued by a banking company, a financial institution, company or a finance society, to any person other than a financial institution				
V.	In all cases, other than mentioned above	15 / 30	Final / Minimum (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 Sukuk Company"). In case, sukuk holder is:				
I.	Company	25 / 50	N/A	Final	Tax Deduction by every SPV or Company at the time of making payment
II.	Individual & AOP (where the return is more than Rs.1 million)	12.5 / 25	Final	N/A	Tax Deduction by every SPV or Company at the time of making payment
III.	Individual & AOP (where the return is less than one million)	10 / 20	Final	N/A	Tax Deduction by every SPV or Company at the time of making payment
151A.	Gain arising on disposal of certain debt securities				
I.	Capital Gain on disposal of debt securities (except disposal of securities through stock exchange and settled through NCCPL)	15 / 30			Tax deduction by Custodians of Account of Debt Securities
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

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
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 television channel or any other media	20	Final	Final	Tax Deduction by every person responsible for making payment
VII.	Capital gain arising to non-resident company having no permanent establishment in Pakistan on the disposal of debt instrument and government securities including T-Bills and PIBs invested through special convertible rupee account		N/A	Final	Tax deduction by every banking company or a financial institution maintaining special convertible rupee account
	- Period less than 6 months	20			
	- Period more than 6 months	10			
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	
	- Individual & AOP (where the return is more than Rs. 1 million)	12.5	Final	N/A	
	- Individual & AOP (where the return is less than Rs. 1 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, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained	10	Final	N/A	Tax deduction by the person responsible for making of payment

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
	abroad, a non-resident repatriable rupee account or a foreign currency account maintained with a banking company in Pakistan				
XII.	Fee for offshore digital services	15	Final	Final	Every banking company and financial institution except where recipient is also liable to tax under Digital Proceeds Levy Act, 2025 and same has been collected.
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
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				
I.	Sale of goods				
	- Company	5 / 10	N/A	Minimum / not minimum subject to conditions	Tax Deduction by every prescribed person making a payment
	- Other than company	5.5 / 11	Minimum	N/A	Tax Deduction by every prescribed person making a payment

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
II.	- Transport services	8 / 16	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				
	- 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					
III.	- IT services and IT enabled services as defined in section 2	4 / 8	Minimum	Minimum	
IV.	Services not covered above:				
	- Company	15 / 30	N/A	Minimum	Tax Deduction by every prescribed person making a payment
	- Other than company		Minimum	N/A	
V.	Execution of a contract	8 / 16	Minimum	Minimum	
VI.	Sports Person	15 / 30	Minimum	N/A	
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

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
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 active taxpayers list 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:				
	- Company (excluding toll manufacturing)	5 / 10	N/A	Minimum / adjustable for manufacturer / listed company	Tax Deduction by the prescribed person making payment
	- Company (For toll manufacturing)	9 / 18			
	- Other taxpayers (excluding toll manufacturing)	5.5 / 11	Minimum	N/A	Tax Deduction by the prescribed person making payment
	- Other taxpayers (For toll manufacturing)	11 / 22			
VI.	- Transport services	6 / 12	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				
	- Tracking services				
	- Advertising services (other than by print or electronic media)				
	- Share registrar services				
	- Engineering services including architectural services	6 / 12	Minimum	Minimum	

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
	- Warehousing services				
	- Services rendered by asset management companies				
	- Data services provided under license issued by the Pakistan Telecommunication Authority				
	- Telecommunication infrastructure (tower) services, car rental services				
	- Building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited				
	- Inspection, certification				
	- Testing and training services				
	- Oilfield services				
	- Telecommunication services				
	- Collateral management services				
	- Travel and tour services.				
	- REIT management services, services rendered by National Clearing Company of Pakistan Limited.				
	IT services and IT enabled services as defined in section 2	4 / 8	Minimum	Minimum	
VII.	Oil tanker contractor services	2 / 4	Minimum	Minimum	Tax Deduction by the prescribed person making payment
VIII.	Other services in the case of: - Company - Other taxpayers	15 / 30	Minimum	Minimum	Tax Deduction by the prescribed person making payment
IX.	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 %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
X.	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	
	- Sports person	15 / 30	Minimum	N/A	
XI.	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
153(2A)	E-commerce				
I.	E-commerce sales where payment is made through digital means or banking channel	1 / 2	Final	Final	Tax deduction by payment intermediary as defined in 153(7)
II.	E-commerce sales where payment is made on Cash on Delivery basis	2 / 4	Final	Final	Tax deduction by courier service as defined in 153(7)
154	Exports				
I.	At the time of realization of foreign exchange proceeds on account of the export of goods by an exporter	1 + *1	Minimum	Minimum	Tax Deduction by every authorized dealer in foreign exchange
		*In addition to existing 1 %, tax @ 1% will also be deducted u/s 147 as an advance tax which is adjustable			
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	Minimum	Minimum	Tax Deduction by every banking company
		*In addition to existing 1 %, tax @ 1% will also be deducted u/s 147 as an advance tax which is adjustable			
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	Minimum	Minimum	Tax Collection by EPZA (the Export Processing Zone Authority)
		*In addition to existing 1 %, tax @ 1% will also be deducted u/s 147 as an advance tax which is adjustable			
IV.	Every direct exporter and an export house registered under DTRE and EFS at the time of making payment for a firm contract to an indirect exporter	1 + *1	Minimum	Minimum	Tax Deduction by every direct exporter and an export house
		*In addition to existing 1 %, tax @ 1% will also be deducted u/s 147 as an advance tax which is adjustable			
V.		1 + *1	Minimum	Minimum	

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
	At the time of clearing of goods exported	*In addition to existing 1 %, tax @ 1% will also be deducted u/s 147 as an advance tax which is adjustable			Tax Collection by the Collector of Customs
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;				
	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
	- Up to 300,000	0			
	- 300,000 < 600,000	5			

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
	- 600,000 < 2,000,000	Rs. 15,000 plus 10			
	- Above 2,000,000	Rs. 155,000 plus 25			
156	Prizes and winnings				
I.	Gross amount of prize bond winning	15 / 30	Final	Final	Tax Deduction by every person paying prize on prize bond, winnings from raffle / lottery
II.	Gross amount of Prize on crossword puzzle	15 / 30	Final	Final	
III.	Gross amount of raffle/lottery winning, prize on winning a quiz, prize offered by a company for promotion of sales	20 / 40	Final	Final	
156A	Petroleum products				
I.	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				
I.	Cash withdrawal exceeding Rs. 50,000 per day from all accounts	0 / 0.8	Adjustable	Adjustable	Tax deduction by every banking company
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:				
	Up to 850CC	0.5			
	851 < 1,000CC	01			
	1,001 < 1,300	1.5			
	1,301 < 1,600	02			
	1,601 < 1,800	03			
	1,801 < 2,000	05			
	2,001 < 2,500	07			
	2,501 < 3,000	09			
	Above 3,000CC	12			
		Provided that in cases where the engine capacity is not applicable, and the value of vehicle is PKR. 5 million or more, the rate of tax collectible shall be 3% of the import			

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
		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 active taxpayers list			
	At the time of leasing of a motor vehicle to a person not appearing in active taxpayers list	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
	Up to 850CC	0			
	851 < 1,000CC	PKR 5000			
	1,001 < 1,300	PKR 7500			
	1,301 < 1,600	PKR 12500			
	1,601 < 1,800	PKR 18750			
	1,801 < 2,000	PKR 25000			
	2,001 < 2,500	PKR 37500			
	2,501 < 3,000	PKR 50,000			
	Above 3000CC	PKR 62,500			
		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			

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
		Provided that tax required to be collected shall be increased by 200% for persons not appearing in active taxpayers list			
	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 1,000cc	100,000 / 300,000	Adjustable	Adjustable	
	- 1,001cc to 2,000cc	200,000 / 600,000	Adjustable	Adjustable	
	- 2,001cc 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	Adjustable	Authority issuing visa
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	
III.	Others	12 / 24	Minimum	Minimum	
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:	Engine Capacity / Lump Sum			
	Upto 1,000CC	800 / 10,000			
	1,001 < 1,199	1,500 / 18,000			
	1,200 < 1,299	1,750 / 20,000			
	1,300 < 1,499	2,500 / 30,000			
	1,500 < 1,599	3,750 / 45,000			
	1,600 < 1,999	4,500 / 60,000			
	Above 2,000CC	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

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
	- Up to Rs. 500	Nil	-	-	
	- Exceeds Rs. 500 but does not exceed Rs. 20,000	10	Minimum	Adjustable	
	- Exceeds Rs. 20,000	Rs. 1,950 plus 12% of the amount exceeding Rs. 20,000 for commercial consumers	Minimum/ Adjustable subject to conditions	Adjustable	
		Rs. 1,950 plus 5% of the amount exceeding Rs. 20,000 for industrial consumers	Minimum/ Adjustable subject to conditions	Adjustable	
	Domestic consumers, if not included in active taxpayers list	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
	Sale of immovable property	5 / 10	Adjustable	Adjustable	
	Lease of right to collect toll	10 / 20	Final	Final	
236C	Sale or transfer of immovable property				
I	Where the gross amount of consideration received does not exceed Rs. 50 million	4.5 / *11.5 / **7.5	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 active taxpayers list			
		**For late filers who filed their returns for last three preceding			

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
		tax years after respective due dates			
	Where the gross amount of consideration received exceeds Rs. 50 million but does not exceed Rs.100 million	5 / *11.5 / **8.5	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 active taxpayers list.			
		**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	5.5 / *11.5 / **9.5	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 active taxpayers list.			
		** For late filers who filed their returns for last three preceding tax years after respective due dates.			
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	10%	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	Adjustable	Adjustable	Tax Deduction by every manufacturer or commercial importer
		*if appearing in the active taxpayers list of income and sales tax			

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
	- 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	Where the fair market value does not exceed Rs. 50 million	1.5 / *10.5 / **4.5 (of the FMV)	Adjustable / Final subject to conditions	Adjustable	Tax Deduction by every person responsible for registering or attesting transfer
		*In case of persons not appearing in active taxpayers list			
		**For late filers who filed their returns for last three preceding tax years after respective due dates.			
II	Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million	2 / *14.5 / **5.5	Adjustable / Final subject to conditions	Adjustable	Tax Deduction by every person responsible for registering or attesting transfer
		*In case of persons not appearing in active taxpayers list			
		**For late filers who filed their returns for last three preceding tax years after respective due dates			
III	Where the fair market value exceeds Rs. 100 million	2.5 / *18.5 / **6.5	Adjustable/ Final subject to conditions	Adjustable	Tax Deduction by every person responsible for registering or attesting transfer
		*In case of persons not appearing in active taxpayers list			
		**For late filers who filed their returns for last three preceding tax years after respective due dates			
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	10%	Final Tax		Tax deduction by every company issuing Bonus shares

Sales Tax Act, 1990

Insertion of new definitions

Abettor

An abettor is any person who “abets or connives in tax fraud” (as defined in section 2(37) of the STA, 1990) or any other prosecutable offence and includes following:

- a) Misuse of another registered person's login credentials to file declarations or any unauthorized change in e-profile;
- b) Preparation of invoices aimed at false input-tax claims;
- c) Facilitating fraud through provision or misuse of bank accounts, including those illegally maintained in another's name; and
- d) Sales-tax registration solely for paper transactions without underlying taxable activity.

The Finance Act, 2025 has clarified that an "Abettor" now refers to a person who knowingly abets or is complicit in committing tax fraud. Furthermore, the offences listed under clauses (a) and (d) have been excluded from the scope of the term “Abettor and in clause (b) only such preparation of invoices for false input tax claim will be treated abetment where same is authorized by the registered person”

Courier

It covers any entity engaged in the delivery of goods and collection of cash on behalf of a seller and includes logistic services, ride-hailing services, food delivery platforms and e-commerce delivery services.

The Finance Act, 2025 has excluded food delivery platforms and e-commerce delivery services from the scope of the definition of “courier.”

e-Commerce

It was initially proposed that “e-Commerce” would include the sale or purchase of goods and services conducted over computer networks, specifically covering orders placed through digital platforms such as websites, mobile applications, and online marketplaces. However, the Finance Act, 2025 has now excluded services conducted over computer networks from this definition.

Payment intermediary

This original definition proposed did not specify its application to goods or services, however the Finance Act, 2025 has expressly referred to goods to rule out applicability of this to services.

Amendment in existing definitions

Online marketplace

The Finance Act, 2025 has narrowed the definition of “online marketplace” to include only online interfaces that, for a fee, enable direct interaction between multiple buyers and sellers for goods, irrespective of economic ownership. Initially, the definition was proposed to also cover services in addition to the sale of goods.

Retail price

Initially, it was proposed that deductions for chilling or similar charges on aerated water, beverages, mineral water, or fruit juices be limited to 5% of the price inclusive of sales tax and FED. However, the Finance Act, 2025 has expanded this to include all other applicable taxes, excluding income tax, in the price calculation.

Sales tax on online marketplace and e-commerce

It was proposed to tax e-commerce by requiring banks, digital wallets, payment gateways, and courier companies to deduct and deposit 2% sales tax on online orders, regardless of payment mode. This deduction will be a final discharge of sales tax for both vendors and marketplaces, with no input tax credit allowed.

It is now provided that this final taxation regime will apply only to cottage industries and retailers other than tier-I retailers.

The Finance Act, 2025 further clarifies that all persons including non-residents except cottage industries and retailers paying sales tax through electricity bills who sell digitally ordered goods within Pakistan via online marketplaces, websites, or applications are required to register for sales tax.

Coercive measures for unregistered persons

Through Bill it was proposed to insert new sections 14AC, 14AD and 14AE which states as follows:

- Section 14AC empowers the Commissioner to bar bank account operations, while Section 14AD enables barring of immovable property transfers. Persons aggrieved will have thirty days to appeal before the Chief Commissioner. In both the cases, the restriction will be immediately lifted upon registration, and
- Section 14AE empowers Chief Commissioner with additional coercive measures, including sealing business premises, seizing movable property, and appointing a receiver for management of taxable activities.

These actions are subject to strict safeguards:

- Public notice specifying the date from which the premises shall be sealed, or moveable property is attached, or a receiver is appointed, as the case may be;
- An opportunity of being heard in front of the Committee comprising of the Chief Commissioner, concerned Commissioner and a representative Chamber of Commerce / Trade Body representative; and
- Public disclosure of the decision.

Upon registration, any appointed receiver must be removed within 2 days. Further, aggrieved persons have 30 days to file representation before the Board.

The Finance Act, 2025 now empowers the Commissioner to restrict the bank account operations of persons supplying taxable goods without registration. After issuing three registration notices, the Commissioner may suspend the person's bank account up to three times, each for a period of three working days, with a one-week interval between suspensions. Continued non-compliance may result in a permanent restriction.

Upon registration, the account must be unblocked within two working days.

If registration is still not obtained within 15 days after the permanent suspension of bank account, the Chief Commissioner will form a committee. The committee will issue a notice, offer a personal hearing, and decide whether to continue the account restriction or impose a property transfer ban. An additional 15-day period will be granted before such a recommendation is finalized.

Streamlining suspension and blacklisting process

It was initially proposed to set a 15-day timeline for issuing a show cause notice following provisional suspension in suspension and blacklisting cases. The Finance Act, 2025 has now reduced this period to 10 days.

Sales tax return revision

Finance Bill had proposed making the Commissioner's approval mandatory for revising a sales tax return, even if the revision was made within sixty days of filing and resulted in higher tax payable or a lower refund claim. However, the Finance Act, 2025 has reinstated the option to revise the return without requiring the Commissioner's approval, subject to clearance from the Board's compliance risk management system.

Appointment of experts and auditors

It was initially proposed to allow the appointment of up to 2,000 auditors to assist tax authorities. However, the Finance Act, 2025 now permits the Board to appoint as many auditors as it deems necessary, removing the earlier limit.

Amendments in sales tax penalties

The Bill proposed introducing "Punishment" alongside "Penalties" under Section 33, including a penalty of PKR 500,000 for online marketplaces, payment intermediaries, or couriers failing to file monthly statements. The Finance Act, 2025 has reduced this penalty to PKR 300,000.

Previously, tax fraud or abetment was punishable through imprisonment of up to 10 years and a fine up to PKR 10 million. The Finance Act, 2025 has reduced the imprisonment to 5 years and removed the fine.

Further, the Finance Bill had proposed a penalty for abetment and connivance in tax fraud, including imprisonment of up to 10 years and/or a fine of PKR 10 million. The Finance Act, 2025 has reduced the maximum imprisonment term to 5 years.

Penalties for non-integration, previously limited to Tier-1 retailers, have now been extended to all registered persons required to integrate.

Revised framework for inquiry and investigation

Section 37A has been replaced by the Finance Bill to allow an officer (not below Assistant Commissioner) to initiate an inquiry into tax fraud or prosecutable offences with the Commissioner's approval. After inquiry and hearing the accused, if sufficient evidence exists, the officer may seek the Commissioner's approval to initiate a formal investigation. Once approved, the officer holds powers similar to a police station in-charge under the CPC.

The Finance Act, 2025 has now provided that:

- An Inland Revenue officer (not below Assistant Commissioner) can initiate inquiries with the Commissioner's approval, using civil court powers to summon persons and gather evidence. Inquiries must conclude within six months; investigations, once approved shall complete within three months.
- Arrests require approval from a three-member committee if the fraud exceeds PKR 50 million and specific conditions like evasion, absconding, or evidence tampering are met. However, in urgent cases, arrest warrants may also be obtained directly from the Special Judge.
- Company directors or officers involved in fraud can be arrested without absolving the company of liability.

Powers to arrest

The Finance Bill had proposed Section 37AA to explicitly empower Inland Revenue officers to arrest, in line with the inquiry and investigation framework under Section 37A. However, the Finance Act, 2025 has not retained this provision.

Procedure on arrest of a person

The Finance Bill had proposed substituting Section 37B to streamline procedures following arrest, aligning them with the investigation phase. The Finance Act, 2025 has further revamped this section to include:

- Upon arrest, the officer must inform the Special Judge and produce the person within 24 hours, or before the nearest Judicial Magistrate if no Special Judge is nearby.
- The Special Judge or Magistrate may grant bail, authorize detention, or remand the person to Inland Revenue custody for up to 14 days if necessary for investigation.
- The investigating officer must record all arrest details in a "Register of Arrests and Detentions" and proceed with the investigation.
- If insufficient evidence is found, the person must be released on bond, otherwise, the Special Judge may proceed with trial.

Restriction on condonation of time limit

The Finance Bill has proposed that, where there are reasons to believe that a significant loss to the exchequer has been caused by a registered person or a tax authority, a Board-notified committee may further condone the limitation period as deemed fit, after providing a reasonable opportunity of being heard to the concerned registered person.

Through the Finance Act, 2025 a substantial loss to the *taxpayer* in addition to the loss to the exchequer has also been recognized as a valid ground for condoning time limitations by the said committee.

Eight Schedule

Reduced rate introduced

The Finance Act, 2025 has inserted the following item in Table-I of Eighth Schedule for application of reduced rate of sales tax:

Entry No.	Description	Reduced rate
90.	Photovoltaic cells whether or not assembled in modules or made up into panels	10%

Federal Excise Act, 2005

First Schedule

Table I of First Schedule

The Finance Act, 2025 has introduced levy of the FED on the following goods:

S. No	Description of goods	Tariff heading	Enacted FED rate
64.	Day Old Chick (DOC)	Respective heading	Rs.10 per DOC

- The Finance Act, 2025 has withdrawn FED on allotment or transfer of commercial property and first allotment or transfer of residential property.
- Earlier FED was imposed on white crystalline sugar supplied to manufacturers, processors or packagers. However, it was unclear who will be responsible to pay such FED, the Finance Act, 2025 now clarifies to held responsible any person including middleman, yet to be specified under the Act 2005, to pay such FED.
- Illicit cigarettes, beverages and other dutiable goods that are subject to electronic monitoring or tracking, if manufactured or produced without affixing or affixing counterfeited tax stamps, barcodes, banderoles, stickers, labels are now made to be liable to seizure along with conveyance used for movement of such goods and/or outright confiscation.
- The Finance Act, 2025 also empowered designated federal or provincial officials from other departments, through Gazette notification, to enforce such seizure and confiscation measures.
- The Finance Act, 2025 omitted jurisdiction in appeals based on value of assessment of tax or refund and hence, the taxpayer can now file appeal before the Commissioner (Appeals) and the Appellate Tribunal, as per the provisions prior to enactment of Tax Laws (Amendment) Act, 2024.
- The Finance Act, 2025 has now provided an option to the registered persons, to file appeal directly to the Appellate Tribunal against an order of adjudicating officer.
- The Finance Act, 2025 extended the time limitation from 30 days to 60 days of the order of Appellate Tribunal, to file appeal before the High Court, and limited the scope of reference before the High Court to the question of law only.

The Customs Act, 1969

Fifth Schedule (Reduced Rate)

New insertion in the Schedule

Part-III

Description	H.S Code	Duty Rate
Raw Materials/Inputs for Poultry and Textile Sector; Other Goods.		
Live (baby / brood stock) fish and shrimp/prawns for breeding and production in commercial farms and hatcheries	0301.9100 0301.9300 0301.9900 0306.3600	0%
Unmanufactured tobacco; tobacco refuse	2401.0000	5%

Omissions from the Schedule. Consequently, standard rate of Customs Duty and other duties, if any, shall be levied

Part-I

Description	H.S Code	Duty Rate
1. Agricultural Machinery		
A) Tillage and seed bed preparation equipment.		
Rotavator	8432.8010	0%
Cultivator	8432.2910	0%
Ridger	8432.8090	0%
Sub soiler	8432.3900	0%
Rotary slasher	8432.8090	0%
Chisel plough	8432.1010	0%
Ditcher	8432.1090	0%
Border disc	8432.2990	0%
Disc harrow	8432.2100	0%
Bar harrow	8432.2990	0%
Mould board plow	8432.1090	0%
Tractor rear or front blade	8430.6900	0%
Land leveler or land planer	8430.6900	0%
Rotary tiller	8432.8090	0%
Disc plow	8432.8090	0%
K.R. Karundi	8432.8090	0%
Land leveler	8430.6900	0%
B) Seeding or Planting Equipment		
Seed-cum-fertilizer drill (wheat, rice barley, etc).	8432.3100	0%
Cotton or maize planter with fertilizer attachment	8432.3900	0%
Potato planter	8432.3900	0%
Fertilizer or manure spreader or broadcaster	8432.4100 8432.4200	0%
Rice transplanter	8432.3900	0%
Canola or sunflower drill	8432.3100	0%
Sugar cane planter	8432.3900	0%
C) Irrigation, Drainage and Agro-Chemical Application Equipment		

Description	H.S Code	Duty Rate
Sprinklers including high and low pressure (center pivotal), system, conventional sprinkler equipment, water reel traveling sprinkler, drip or trickle irrigation equipment, mint irrigation sprinkler system.	8424.8200 8424.2010	0%
Knapsack sprayers	8424.2010	0%
Granular applicator	8424.2010	0%
Boom or field sprayers	8424.2010	0%
Self-propelled sprayers	8424.2010	0%
Orchard sprayers	8424.2010	0%
(D) Harvesting, Threshing and Storage Equipment		
Wheat thresher	8433.5200	0%
Maize or groundnut thresher or Sheller	8433.5200	0%
Groundnut digger	8433.5900	0%
Potato digger or harvester	8433.5300	0%
Sunflower thrasher	8433.5200	0%
Post hole digger	8433.5900	0%
Straw balers	8433.4000	0%
Wheat or rice reaper	8201.3000	0%
Chaff or fodder cutter	8433.5900	0%
Cotton picker	8433.5900	0%
Onion or garlic harvester	8433.5200	0%
Sugar harvester	8433.5200	0%
Reaping machines	8433.5900	0%
Combined harvesters (Upto ten years old)	8433.5100	0%
Pruner/sheers	8433.5900	0%
F) Dairy, Livestock and poultry, machinery		
Incubators, brooders and other poultry equipment	8436.2100 8436.2900	0%
(G) Post-harvest Handling and Processing and Miscellaneous Machinery		
Vegetable and fruits cleaning and sorting or grading equipment	8437.1000	0%
Fodder and feed cube maker equipment	8433.4000	0%
Milking machines	8434.1000	0%
Grain storage silos duly fitted with mechanical systems i.e. sweep auger system, temperature control system, aeration system and roof exhaust system etc., imported during the period commencing on the 1 st July 2021 and ending on the 30 th June 2026.	8479.8990	0%
H) Green House Farming and Other Green House Equipment		
Anti-insect net	5608.1900	0%
Shade net	5608.9000	0%
5. Following machinery, equipment, apparatus, and medical, surgical, dental and veterinary furniture, materials, fixtures and fittings imported by hospitals and medical or diagnostic institutes		
A. Medical Equipment		
Dentist chairs	9402.1010	5%
13. Following machinery, equipment and other education and research related items imported by technical institutes, training institutes, research institutes, schools, colleges and universities		
Quartz reactor tubes and holders designed for insertion into diffusion and oxidation furnaces for production of semiconductor wafers	7017.1010	0%
Other dryers	8419.3900	0%
Personal weighing machines, including baby scales; household scales	8423.1000	0%
Scales for continuous weighing of goods on conveyors	8423.2000	0%
Constant weighing scales and scales for discharging a predetermined weight of material into a bag or container, including hopper scales	8423.3000	0%
Other weighing machinery having a maximum weighing capacity not exceeding 30 kg	8423.8100	0%
Other weighing machinery having a maximum weighing capacity exceeding 30 kg but not exceeding 5,000 kg	8423.8200	0%
Other weighing machinery	8423.8900	0%

Description	H.S Code	Duty Rate
Weighing machine weights of all kinds; parts of weighing machinery of machines of heading 8423.2000 & 8423.3000	8423.9000	0%
Other weighing machine weights of all kinds; parts of weighing machinery of machines of heading 8423.2000 & 8423.3000	8423.9000	0%
Networking equipment like routers, LAN bridges, hubs excluding switches and repeaters	8517.6970	0%
Other furnaces and ovens	8514.3900	0%
Electronic balances of a sensitivity of 5 cg or better, with or without weights	9016.0010	0%
Other balances of a sensitivity of 5 cg or better, with or without weights	9016.0090	0%
Thermostats of a kind used in refrigerators and air-conditioners	9032.1010	0%
Manostats	9032.2000	0%
Other instruments and apparatus hydraulic or pneumatic	9032.8100	0%
Other instruments and apparatus	9032.8990	0%
Parts and accessories of automatic regulating or controlling instruments and apparatus	9032.9000	0%
17. Following machinery and equipment for marble, granite and gemstone extraction and processing industries		
Integral drilling steel for horizontal and vertical drilling, extension thread rods for pneumatic super long drills, tools and accessories for rock drills	8466.9100	0%
20. Following items for use with solar energy:		
PV Module	8541.4200 8541.4300 8541.4900	0%
Charge controller	9032.8990	0%
21. Following systems and items for dedicated use with renewable source of energy like solar, wind, geothermal etc.		
Solar Parabolic Trough Power Plants	8502.3900	0%
Parabolic Trough collectors modules	8503.0010	0%
Steam turbine of an output exceeding 40MW	8406.8100	0%
Steam turbine of an output not exceeding 40MW	8406.8200	0%
Sun tracking control system	8543.7090	0%
Solar Dish Stirling Engine	8412.8090	0%
Solar concentrating dish	8543.7090	0%
Sterling engine	8543.7090	0%
Sun tracking control system	8543.7090	0%
Charging & testing equipment	9031.8000	0%
Solar photo voltaic panels	8541.4200 8541.4300 8541.4900	0%
Charge controllers	9032.8990	0%
Solar Thermal Power Plants with accessories	8502.3900	0%
PV Modules	8541.4200 8541.4300 8541.4900	0%
Solar cells	8541.4200 8541.4300 8541.4900	0%
Flux and preparations for metal surfaces	3810.1000	0%
Bypass diodes	8541.1000	0%
Crystal (Grower) Puller (if machine)	8479.8990	0%
Diffusion furnace	8514.3900	0%
Oven	8514.3900	0%
Wafering machine	8486.1000	0%
Cutting and shaping machines for silicon ingot	8461.9000	0%
Solar grade polysilicon material	3824.9999	0%
Phosphene Gas	2853.9000	0%
Pyranometers and accessories for solar data collection	9030.8900	0%
Remote control for solar charge controller	8543.7010	3%
Wind Turbines for grid connected solution above 200 KW (complete system)	8412.8090	0%

Description	H.S Code	Duty Rate
Wind Turbines upto 200 KW for off-grid solutions comprising of:	8412.8090	0%
Dehumidification equipment	8479.6000	0%
Wind turbines including alternators and mast	8502.3100	0%
Sun Tracking Control System	8543.7090	0%
Solar air water generator	8479.8990	0%
Charge controller/ Current controller	9032.8990	0%
Micro feeder equipment for food fortification	8437.8000	0%
Parts and accessories for projector	9007.9200	0%
Other instruments and apparatus for cinema	9032.8990	0%
Screen	9010.6000	0%
Cinematographic parts and accessories	9010.9000	0%
39. Following items for Tourism Projects		
Paragliders, parachutes, Hot Air Balloons	8804.0000	50%
Balloons and dirigibles; gliders, hang gliders and other non- powered aircraft.	8801.0000	50%
Parachutes (including dirigible parachutes and paragliders) and rotochutes; parts thereof and accessories thereto	8804.0000	50%

Part-III

Description	H.S Code	Current Duty Rate
Raw Materials/Inputs for Poultry and Textile Sector; Other Goods		
PTA	2917.3610	5%
Poly back sheet	3920.1000 3920.9900	16%
Plastic Film (Medical grade)	3920.2040 3921.9090	10%
Perforated Poly Film	3920.9900	16%
Waist Band Barrier	3921.9090	16%
Raw Hides & Skins	41.01	0%
Raw Skins	41.02	0%
Other Raw Hides and Skins	41.03	0%
In the wet state (including wet- blue)	4105.1000 4106.2100	0%
Yarn of nylon or other polyamides	5402.4500	7%
Yarn of viscose rayon, untwisted or with a twist not exceeding 120 turns per meter	5403.3100	5%
Of polyesters	5501.2000	6.5%
Acrylic or modacrylic	5501.3000	6.5%
Of polypropylene	5501.4000	6.5%
Filament tow of other polymers	5501.9000	6.5%
Artificial filament tow	5502.9090	6.5%
Of polyesters not exceeding 2.22 decitex	5503.2010	7%
Of other polyester	5503.2090	6%
Acrylic or modacrylic	5503.3000	6.5%
Of polypropylene	5503.4000	6.5%
Other synthetic staple fibre	5503.9000	6.5%
Of synthetic fibers	5505.1000	6.5%
Of artificial fibers	5505.2000	6.5%
Of polyesters	5506.2000	6.5%
Acrylic or modacrylic	5506.3000	6.5%
Other synthetic staple fibre	5506.9000	6.5%
Non-wovens, whether or not impregnated, coated, covered or laminated for man-made filaments.	5603.1100 5603.1200	11%
Acquisition layer	5603.9200	11%
Loop pile fabric	6001.2210 6001.2290	16%
Silver	71.06	0%
Gold	71.08	0%

Description	H.S Code	Current Duty Rate
Bicycle Chain Parts	7315.1990	15%
Permanent magnets of metal	8505.1100	0%
(i) Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus.	8517.6210 8517.6220 8517.6230 8517.6240 8517.6250 8517.6260 8517.6290	0%
Ships and other floating crafts including tugs, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistani entity and flying Pakistani flag.	8901.1000 8901.2000 8901.3000 8901.9000 8902.0000 8904.0000 8905.1000 8905.2000 8905.9000 8906.1000 8906.9000 8907.9000	0%
(i) Other craft paper (ii) multi-ply (clay coated paper and paper board excluding 80 mN and 150 mN (iii) Aluminum foil (rolled but not further worked)	4804.3900 4810.9200 7607.1100	10%
Aluminum sheets & Coils	7606.1100 7606.9190 7606.9290	5%
Aluminum foil	7607.1990	5%
Other uncoated paper and paperboard and	4805.9390	0%
Vegetable parchment	4806.1000	0%
Chain parts	7315.1990	15%
Carbon black other than rubber grade	2803.0020	5%
Of circular cross-section measuring less than 7 mm in diameter	7213.9191 7227.9010	10%
Flavouring powders for food preparation	2106.9030	3%

Part-VII

Omission of whole of Part-VII covering miscellaneous items under Table A and B consisting of 43 & 195 items respectively.

Legislative changes

Definition

The Finance Act, 2025 has introduced following two definitions:

- “cargo tracking system” means a digital system notified by the Board for electronic monitoring and tracking of import, export, transit and transshipment goods transported within or into or out of the territory of Pakistan for the purpose of enforcement, compliance and prevention of smuggling.
- “e-bilty” means the digital document generated through cargo tracking system to be accompanied with the transport carrying import, export, transit and transshipment goods transported within or into or out of the territory of Pakistan as per the format prescribed by the Board.

Directorate general of customs auction

In order to streamline the auction of goods, the Finance Act, 2025 has sought to substitute section 3B introducing Directorate General of Customs Auction. The Directorate would consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

Director general of communication and public relations, customs

In order to effective dissemination of Customs related information for trade facilitation and stakeholder engagement, the Finance Act, 2025 has sought to substitute section 3BBB introducing Directorate General of Communication and Public Relation, Customs. The Directorate would consist of Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

Hiring of technology specialists, auditors, accountants and goods evaluators on short term contract

The Finance Act, 2025 has empowered Board to hire services of technology specialists, auditors, accountants and goods evaluators on short term contract not exceeding two years which may be re-hired subject to satisfactory achievement of key performance benchmarks.

General power to exempt from customs duties

The Finance Act, 2025 has extended the general power of Federal Government to allow exemption of customs duties till 30 June 2026 through amendment in the second proviso of sub-section (5) of section 19.

Allowing mutilation or scrapping of goods

The Finance Act, 2025 has inserted second proviso in section 27A by restricting scrapping and mutilation of goods upto 10% of the imported goods.

Untrue statement, error, etc.

In order to reduce litigation, the Finance Act, 2025 has enhanced existing limit for initiating contravention proceedings from Rs. 20,000/- to Rs. 100,000/- subject to the payment of recoverable amount.

Declaration of assessment for home consumption or warehousing

Currently, pre-payment of duties/taxes is mandatory on filing of GDs prior to berthing of vessels. The Finance Act, 2025 has made relaxation in a way that duties, taxes and other charges to be paid on completion of assessment in case of GDs filed prior to berthing of vessel.

Checking of goods declaration by the Customs

The Finance Act, 2025 has empowered the FBR for establishment of Centralized Assessment Units and Centralized Examination Units for assessment of import, export and transit consignments at any customs port, customs station or airport. The Board may prescribe any manner or conditions for assessment or examination of goods through Centralized Assessment Unit and Centralized Examination Unit.

Procedure in case of goods not cleared or warehoused or transshipped or exported or removed from the port after unloading or filing of declaration

In order to reduce port congestion and dwell time for unclaimed/uncleared cargo beyond specified time limit, penalties and other consequences like auction, confiscation and directions for re-export, etc. have been enacted through the Finance Act, 2025.

The Finance Act, 2025 has also clarified that procedure shall be prescribed for confiscation, auction and re-export of the goods.

Cargo tracking system and e-Bilty Mechanism

The Finance Act, 2025 has inserted new section 83C whereby any person being a consignor, transporter, shipping agent, freight forwarder, consignee, supplier or recipient of goods and causing movement of goods

from and to a seaport, land border station, inland dry-port or inland movement, shall be required to electronically generate, carry, display or validate an e-bilty through the Cargo Tracking System.

The Finance Act, 2025 has empowered Board to prescribe the manner and procedure to implement e-bilty mechanism and employ any technological means for tracking, identifying en route and digital record keeping and in case of any violation, the goods, conveyance, owner of goods and master of conveyance, as the case may be, shall be liable to fine, penalty, detention, seizure and confiscation.

Extent of confiscation

The Finance Act, 2025 has omitted a proviso of sub-section (2) in section 157 which allows release of vehicles liable to be confiscated against bank guarantee.

Things seized how dealt with

The Finance Act, 2025 has introduced new sub-section (6) in section 169 whereby no stay in the case of auction proceedings will be allowed unless the person obtaining stay order furnishes pay order or bank guarantee not less than 25% of the reserve price of the goods before nazir of the Court.

Procedure for sale of goods and application of sale proceeds

The Finance Act, 2025 has introduced new sub-section (4) in the section 201 whereby no stay in the case of auction proceedings will be allowed unless the person obtaining stay order furnishes pay order or bank guarantee not less than 50% of the reserve price of the goods before nazir of the Court.

Power of adjudication

The Finance Act, 2025 has enhanced the time period for adjudication of smuggled goods from 30 days to 45 days.

The Finance Act, 2025 has also enhanced the time period for adjudication from 30 days to 45 days where goods are lying at sea-port, airport or dryport.

Presumption as to legal character of vehicle

The Finance Act, 2025 has introduced new section 187A explaining that upon forensic examination in case a vehicle is found to be having a tampered chassis number or weld chassis, etc. such vehicle shall be presumed to be a smuggled vehicle and shall be liable to confiscation irrespectively such vehicle has already been registered with any Motor Registration Authority.

Appeal to Collector (Appeals) Appeals to the Appellate Tribunal

The Finance Act, 2025 has inserted a proviso in section 193 and 194A(6) barring appeal to Collector (Appeals) and Appellate Tribunal, if aggrieved person did not appear before adjudicating authority despite sufficient opportunity of hearing.

Such amendment would create dispute on account of non-receipt of any Hearing Notice. Secondly, barring from appeal of any order is against the principle of natural justice.

Appeals to the Appellate Tribunal

The Finance Act, 2025 has enhanced the time limit for filing of appeal before Appellate Tribunal from 30 days to 45 days.

The Finance Act, 2025 has introduced new proviso in section 194A(5) whereby stay order of recovery shall only be made by the Appellate Tribunal on furnishing pay order or bank guarantee not less than 25% of the recoverable amount.

Reference to High Court

The Finance Act, 2025 has introduced new proviso in section 196(6) whereby stay order of recovery shall only be made by the High Court on furnishing pay order or bank guarantee not less than 25% of the recoverable amount.

Establishment of Customs Command Fund

The Finance Act, 2025 has established Customs Command Fund for supporting anti-smuggling activities. Allocation for this Fund shall be made from the sale proceeds of auction of smuggled goods, as per the share notified by the Board with the concurrence of the Finance Division.

The Finance Act, 2025 has also empowered the FBR to prescribe the manner for utilization of the funds received in the Customs Command Fund and impose any conditions, limitations or restrictions as it may deems necessary.

Digital Enforcement Station(s)

The Finance Act, 2025 has empowered the FBR to declare places to be Digital Enforcement Stations at such locations as deemed appropriate for the prevention of smuggling and illicit trade through notification in the official Gazette.

The Finance Act, 2025 also empowered the FBR to make rules for staffing, operations and technological enablement of Digital Enforcement Station through a notification in the official Gazette.

Stamp Act, 1899

The Finance Act, 2025 amended Article 23 of Schedule-I appended to Stamp Act, 1899, applicable only to Islamabad Capital Territory.

Article 23 dealing with “conveyance”, has been substituted with conveyance not being transfer charged or exempted under relevant article shall be subject to stamp duty at one percent of the value of immovable property.

Petroleum Products (Petroleum Levy) Ordinance, 1961

Introduction of Climate Support Levy

The Finance Act, 2025 has imposed 'Climate Support Levy' on fossil fuels to discourage their usage, combat climate change and fund Green Energy Programs.

Climate Support Levy shall be at the rate of Rs. 2.5 per liter on Motor Spirit and High-Speed Diesel for financial year 2025-26, that shall be enhanced to Rs. 5 per liter for financial year 2026-27.

Further, Climate Support Levy on Furnace Oil shall be at the rate of Rs. 2.5 per liter (Rs. 2,665/MT) for financial year 2025-26, that shall also be enhanced to Rs. 5 per liter for financial year 2026-27. It is noteworthy that this is in addition to the Petroleum Levy, as notified by the Federal Government from time to time.

Addition of furnace oil

Moreover, in the First Schedule pertaining to list of petroleum products, an additional entry of 'Furnace Oil' has been inserted.

Omission of the Fifth Schedule

Furthermore, Fifth Schedule prescribing maximum Petroleum Levy rates stands omitted. This essentially removes the ceiling on the levy giving Government the right to impose levy at any rate without any maximum prescribed limit in the law.

Islamabad Capital Territory (Tax on Services Ordinance, 2001)

Integration with Board computerized system

The Finance Act, 2025 inserted new proviso under section 3(1) of the ICT Ordinance 2001 whereby FBR is empowered to integrate business of any service providers listed in Table-1 and Table-2 of the Schedule with the Board's computerized system for real-time reporting of services, from such date and in such mode and manner as may be prescribed by the general order to be issued by the Board.

Insertion of serial Nos. 147 and 163 of table-1 of the Sixth Schedule to the Act, 1990

The Finance Act, 2025 exempted services acquired by the German Development Agency (Deutsche Gesellschaft für Internationale Zusammenarbeit) GIZ, various agencies of the United Nations, Diplomats, Diplomatic missions, privileged persons, and privileged organizations which are covered under various Acts, Orders, rules, regulations made thereunder, and agreements by the Federal Government. This change is made to align the sales tax exemption available to these organizations under the Act, 1990.

Introduction of negative list

The Finance Act, 2025 empowers the Board to notify Negative List of services exempt from tax under Table-3 of the Schedule to the ICT Ordinance, 2001, whenever deemed necessary, subject to such conditions, restrictions, and limitations by issuance of notification in Official Gazette.

Digital Presence Proceeds Tax Act, 2025

Introduction

The rapid digitization of Pakistan's economy has enabled multinational digital enterprises to generate substantial revenue in jurisdictions where they have little or no physical presence. However, the outdated international tax framework, designed in the early 20th century, fails to capture value created through digital interactions, user data, and intangible assets. This misalignment has led to tax base erosion as profits are shifted to low-tax jurisdictions, undermining fiscal sovereignty.

To establish a more equitable tax framework for the digital economy, Finance Act, 2025 enacted "Digital Presence Proceeds Tax Act, 2025" [DPPT].

Administration of DPPT

The administration of DPPT will be with the Inland Revenue Department of the FBR and its subordinate offices. FBR will prescribe rules for giving effect to the provisions of the said Act.

Charge of DPPT

In context of charge of DPPT, every foreign vendor having significant digital presence in Pakistan shall be charged to DPPT on proceeds of every supply of digitally ordered goods or services either digitally or physically from outside Pakistan.

Proceeds subject to DPPT

The proceeds of foreign vendors having significant digital presence as attributable to Pakistani users shall be subject to DPPT provided that:

- a. The transaction is conducted through a foreign online marketplace or e-store;
- b. Proceeds arise from digitally ordered goods or services; and
- c. Pakistani user is a party to the transaction, who in case of an individual is a resident of Pakistan or in case of a company has a permanent establishment in Pakistan. Besides this, payments for digitally ordered goods or services made electronically from within Pakistan.

Rates of DPPT

The rates of DPPT are tabulated below:

Description	Rate of Tax
Services	5% of the payment including advertisement on social media platforms
Goods	5% of the payment to foreign provider

Exceptions from levy of DPPT

The exceptions to charge of DPPT are the payments for digitally ordered goods connected to a non-resident's permanent establishment in Pakistan, when the goods are supplied within Pakistan and digitally delivered services received in Pakistan but rendered through a non-resident's permanent establishment in Pakistan.

Significant digital presence in Pakistan

A foreign vendor to be considered as having significant digital presence in Pakistan if he is supplying digitally ordered goods and services from outside Pakistan to users within Pakistan subject to a threshold of more than one million in a financial year, along with fulfilment of **at least one** of the following additional factors:

- a. Maintaining a user base and associated data input
- b. Billing or collecting payments in local currency
- c. Overseeing final delivery to Pakistani consumers
- d. Assistance in providing aftersales support by the foreign vendors
- e. Actively engaging in marketing and promotional activities to attract customers

Responsibility for deducting and depositing tax

Every payment intermediary including banks, financial institutions, licensed exchange companies or payment gateways to be responsible for deducting tax from payments remitted outside Pakistan for digitally ordered goods and services at the prescribed rates. The Finance Act further enacts that for payment intermediary not to maintain a bank account for foreign vendors and remit funds outside Pakistan unless tax has been deducted and deposited in the government treasury except when the tax is collected and deposited at the time of remittance.

The deducted tax must be deposited before the 7th of immediately succeeding month. Additionally, customs will ensure that no courier delivers consignments without proof of tax payment.

Responsibility for deducting and depositing tax in case of social media and online platform advertisements

In case of social media or other online platforms for advertisements, foreign vendors with a digital presence in Pakistan must deduct tax from payments at the prescribed rates. The deducted tax amount is required to be deposited before the 7th of immediately succeeding month.

Failure to collect or deposit DPPT

In case of failure to deposit DPPT in the government treasury within specified time will render the persons responsible for collection and deposit of DPPT personally liable for the unpaid amount along with a default surcharge of KIBOR +3% per annum for the days of default. The Authority may pass an order for recovery of principal amount as well default surcharge. However, no recovery action will be taken without granting an opportunity to be heard to that person. The provisions of Part IV of Chapter X of the Ordinance in case of recovery of tax demand will apply mutatis mutandis.

Reporting requirements of DPPT

As regards reporting requirements, every payment intermediary shall file a quarterly statement with the Commissioner Inland Revenue [CIR], detailing tax collection on payments made to foreign vendors for e-commerce transactions including purchaser's name, CNIC, vendor details, transaction date, invoice number, value of goods/ services, tax collected, or any additional prescribed particulars required. Further, the payment intermediary maintaining bank account for foreign vendors with digital presence in Pakistan will also be required to file quarterly withholding statement with CIR containing credit amount in bank account during the period and amount remitted outside Pakistan.

Every social media and online platforms operating in Pakistan will require to file quarterly statement detailing client wise information of local as well as foreign vendors with or without permanent establishment whose advertisements relayed in Pakistan through its platform and the amount received.

Failure to submit the statement

Failure to submit the statement by the payment intermediary and social media platform with respect to digitally ordered services or goods or advertisements relayed in Pakistan shall be liable to penalty of Rs. 1 million for each default.

Suspension of remittances to a foreign advertiser

The payment intermediary shall suspend the remittances of proceeds of foreign vendors on the instruction of the Commissioner if such vendors are advertising continuously for 120 days without payment of DPPT.

Appeal

Any person dissatisfied with the recovery order under DPPT Act, 2025 can file **appeal before ATIR** within 30 days of receipt of recovery order. The aggrieved person or the Commissioner may file reference application before the High Court against the order of ATIR within 60 days of its receipt.

New Energy Vehicles Adoption Levy Act, 2025

New Energy Vehicle Levy

Finance Act, 2025 has introduced an act for imposition and collection of 'New Energy Vehicle Levy' on 'Internal Combustion Engine Motor Vehicles'.

'Internal Combustion Engine Motor Vehicle' means a motor vehicle powered wholly or partially by fossil fuels including petrol, diesel, compressed natural gas or liquefied petroleum gas.

'New Energy Motor Vehicle' means a motor vehicle that is powered –

- i. exclusively by an electric motor run on a rechargeable battery; or
- ii. by both an electric motor run on a rechargeable battery and an internal combustion engine, capable of achieving a range of no less than fifty kilometers under normal conditions exclusively running on electric motor by a single battery charge; or
- iii. hydrogen fuel cells or any other technology that produces zero tailpipe emission.

Said levy to be imposed on:

- a. every manufacturer of every internal combustion engine motor vehicle, manufactured or assembled and supplied by him; and
- b. every person on every internal combustion engine motor vehicle imported by him into Pakistan.

All proceeds from said levy shall be used for promoting the adoption of new energy vehicles and matters ancillary thereto as determined by the Federal Government from time to time.

Rate of New Energy Vehicle Levy

Varying rates of levy ranging from 1% to 3% ad valorem of invoice price or assessed value, as the case may be, inclusive of duties and taxes, depending upon engine capacity and nature of vehicle. The Federal Government is empowered to amend the rates or amend vehicle categories.

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