

Tax Alert

March 2026

1. Electronic invoicing

The Federal Board of Revenue (FBR) has issued SRO 288(I)/2026 dated 18 February 2026. The SRO publishes a draft substitution of Chapter VIIA of the Income Tax Rules, 2002 (the Rules) for public comments related to electronic invoicing by notified taxpayers. The draft is not yet effective and will become enforceable only after the FBR issues a final notification and subsequently an Income Tax General Order specifying implementation timelines and modalities.

Businesses are advised to monitor forthcoming notifications and begin readiness planning for compliance to avoid penalties and disruption.

Scope

The substituted chapter applies to taxpayers listed in the Schedule to the SRO, including restaurants, hotels, motels, guest houses, marriage halls, and clubs; courier and cargo service providers; beauty salons and personal care centers; medical service providers and diagnostic laboratories; retailers meeting prescribed thresholds; foreign exchange dealers; and private schools and colleges that exceed the specified fee limits.

Each category is subject to defined exclusions, such as non-air-conditioned premises, fee or turnover thresholds, shop size limitations, and electricity consumption criteria.

Key Features

Notified taxpayers, referred to as “integrated enterprises,” are required to register, install, and integrate electronic invoicing hardware and software with the FBR’s centralized system and ensure that no sales are conducted outside an integrated POS or e-invoicing device.

All business outlets and POS terminals must be declared through the FBR’s online platform. Each sale must generate an FBR-verified invoice that includes a unique FBR invoice number, QR code, seller and buyer details, tax period, item description and quantity, HS code, applicable taxes, discounts, and FED.

The system must also transmit invoice data in real time, create digital signatures, and maintain logs for all adjustments and system events. The FBR may additionally require enterprises to link card machines, QR-based payment channels, and other digital transaction tools, as well as install CCTV cameras at POS terminals with recordings retained for one month.

Online platforms, including websites, mobile applications, and marketplaces, must also be fully integrated and capable of auto-issuing FBR-verified invoices. All electronic invoices and related documents must be stored for six years in a manner that enables the FBR to reconstruct original information during audits.

Inland Revenue officers are empowered to conduct technical and tax audits, perform physical inspections, and assess and recover taxes on unreported or off-system sales, while the Inland Revenue Enforcement Network will carry out field patrols to ensure real-time compliance at business premises.

Failure to comply with the requirements may result in penalties under Section 182, along with other restrictions imposed under the relevant provisions of the Income Tax Ordinance, 2001 (ITO’ 2001). The FBR may also initiate enforcement actions, including recovery of taxes on suppressed sales. Additionally, integrator licensees may face suspension or cancellation for violations.

The substituted rules further specify that all associated costs, including hardware, software, system integration, and POS upgrades are to be borne entirely by the taxpayer.

Licensing Framework for Integrators

PRAL is formally designated as a licensed integrator and may be required by the FBR to provide integration services free of cost. However, other persons may also apply for the license to integrate taxpayers’ systems.

Applicants are required to submit a company profile, evidence of technical and managerial capacity, documentation of ERP and payment system integration capabilities, registration with PSHA or ICAP, audited financial statements, and proof of paid-up capital of at least Rs. 10 million.

Licenses will be issued for a five-year term, subject to renewal based on performance and compliance reviews.

2. Fair Market Valuations (FMV) of immovable properties

The FBR has issued multiple notifications under Section 68(4) of the ITO'2001, revising FMV of immovable properties. These notifications affect real estate valuation for tax purposes, including capital gains tax computation, withholding tax, and deemed income provisions.

The essential changes introduced through the following notifications is as follows:

SRO 163(I)/2026 - Dated 02 February 2026

This notification establishes comprehensive FMVs for immovable properties across Islamabad Capital Territory.

It replaces the earlier Notification SRO 2392(I)/2025 dated 8 December 2025 and introduces a detailed valuation framework covering residential and commercial plots, built-up properties, shops, flats, apartments, and various categories of commercial and mixed-use properties.

It further provides valuation rules for superstructures, fixing Rs. 3,000 per sq. ft. for buildings up to five years old and Rs. 1,500 per sq. ft. for those older than five years. The notification also clarifies that rural area valuations will continue to follow the District Collector Islamabad's notification dated 1 July 2025. In cases where conflicting rates exist for the same locality, the higher valuation applies.

SRO 256(I)/2026 - Dated 11 February 2026

This notification introduces a specific amendment to FBR's earlier Notification SRO 1712(I)/2024 dated 29 October 2024.

The SRO corrects the valuation figures appearing against Sr. No. 6 in Table-I by replacing the previously notified values of 27,574 and 31,574 for Adalat Garha (behind) with substantially lower figures of 2,757 and 5,735, for residential open plots per sq. ft and residential built up per sq. ft respectively. This correction appears to rectify an overvaluation in the earlier notification.

SRO 332(I)/2026 - Dated 24 February 2026

This notification issues amendments to SRO 163(I)/2026 dated 02 February 2026 by substituting certain entries in the Islamabad valuation tables. Specifically, it replaces the earlier valuations under Naval Anchorage, including updated rates for open plots with and without possession.

It also substitutes the valuation entries under agro/ poultry/ vegetable farms, setting revised per-kanal valuations for both possession and non-possession categories.

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