

Tax Alert

May 2026

Income Tax

S. No 1: Clarification regarding withholding tax under Section 236C for taxpayers discharging liability under section 7F

The Federal Board of Revenue (FBR) has issued Circular No. 08 of 2025–26 dated 15 April 2026 to clarify how withholding tax under Section 236C applies to builders and developers operating under the Section 7F regime. It replaces the earlier circular issued on 31 March 2026 and addresses concerns regarding the treatment of advance tax on the sale of immovable property.

The FBR has clarified that person who have discharged their tax liability under Section 7F and do not have any other income chargeable to tax under the Ordinance, against which such tax could be adjusted, may seek exemption from the collection of advance tax under Section 236C as provided in section 159. The Commissioners have been directed to examine these applications on a case-to-case basis.

The circular further provides that prescribed timelines for processing such applications will apply, and where the Commissioner fails to take action within seven working days of the filing of a complete application, the exemption certificate will be automatically processed and issued through the IRIS system.

Overall, this clarification aims to align the withholding tax framework with the special taxation regime applicable to builders and developers and to mitigate the cash flow burden arising from the collection of advance tax that may not be adjustable under the prevailing tax structure.

S. No 2: Withdrawal of concessional withholding income tax/ sales tax and minimum value addition sales tax on sugar imports

The Federal Government, vide SRO 663(I)/2026 dated 22 April 2026, has rescinded SRO 455(I)/2026 dated 5 March 2026 and SRO 527(I)/2026 dated 19 March 2026, which provided an extended facility of reduced income tax and sales tax, along with exemption from minimum value addition sales tax on the import of sugar through the Commerce Division via TCP or approved private importers, subject to quota restrictions and mandatory quality inspection by an international firm.

The concession was originally available until 30 September 2025 and was extended from time to time, most recently up to 28 February 2026.

Both notifications have now been withdrawn as the period specified therein has expired.

S. No 3: Clarification regarding applicability of section 151A of the Ordinance on Mutual funds and pension schemes

The Federal Board of Revenue (FBR), vide clarification dated 27th March 2026, has informed that provisions of section 151A of the Ordinance are covered under the exemption granted under Sections 53 read with section 159 read with Clause (99) of Part I of the Second Schedule to the Ordinance. It is clarified that exemption certificates under Section 159 from the Commissioner would be required.

According to this clarification, the entities covered under clause 99 shall be entitled to exemption from withholding tax prescribed under section 151A of the Ordinance.

Customs

S. No 1: Temporary Storage Facilities for Transshipment Cargo

The Federal Board of Revenue (FBR), through SRO 645(I)/2026 dated 17 April 2026 and SRO 685(I)/2026 dated 23 April 2026, has authorized additional areas at Karachi Port and Port Qasim for the temporary storage of international transshipment cargo under section 78(1) of the Customs Act, 1969.

Specifically, SRO 645(I)/2026 designates the “F-Range” area of the Thoal Produce Yard (TPX) at Karachi Port Trust, measuring approximately 20,350 square meters.

SRO 685(I)/2026 authorizes the Terminal Storage Area-A (TSA-A) yard at Port Qasim Authority, covering approximately eight acres.

These measures have been introduced in response to the prevailing emergency and war-like situation in the Gulf region, which has disrupted normal trade and logistics flows, necessitating additional storage capacity at Pakistan’s major ports for handling international transshipment cargo.

**Karachi Office**

Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi – 75530
Telephone 92 (21) 3713 1900
Telefax 92 (21) 3568 5095
E-Mail pk-fmkpmgpakistan@kpmg.com

Lahore Office

351 – Shadman-1
Main Jail Road
Lahore, Pakistan
Phone +92 (42) 111-KPMGTH (576484)
Telefax +92 (42) 3742 9907

Islamabad Office

Sixth Floor, State Life Building
Blue Area, Islamabad
Telephone 92 (51) 282 3558
Telefax 92 (51) 282 2671

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