

Tax Alert

June 2026

Income Tax

S. No 1: Exemption of Default Surcharge & Penalties for PIACL

The Federal Government through S.R.O. 799(I)/2026 dated 4 May 2026 issued in terms of section 183 of the Income Tax Ordinance, 2001 has granted exemption to Pakistan International Airlines Corporation Limited (PIACL) from default surcharge and penalties on its current tax liabilities amounting to PKR 8.766 billion subject to final determination.

This exemption has been introduced in pursuance to the Federal Cabinet's decision in order to successfully conclude the process for divestment of PIACL to the successful bidder.

The relief is subject to the condition that the principal tax liabilities, quantified at PKR 8,765,972,000 as of 30 June 2025, are paid to the FBR within a period of four years following a one-year grace period, in equal annual installments after the "First Completion" as defined in the Share Purchase and Subscription Agreement.

S. No 2: Draft income tax return for tax year 2026

The FBR through SRO 835(I)/2026 dated 7 May 2026 has issued draft electronic income tax return forms for individuals and business taxpayers.

Stakeholders were invited to provide comments and suggestions within seven days of issuance.

The finalized return formats are yet to be notified.

S. No 3: Enhanced Requirements for Registration of Individuals and International NGOs

The FBR has issued S.R.O. 879(I)/2026 dated 20 May 2026, introducing amendments to Rule 80B of the Income Tax Rules, 2002. The key aspects are:

The taxpayer identification documentation also includes CNIC, NICOP, POC, or foreign passport.

A new sub-rule (6) has been inserted, prescribing extensive documentation requirements for International Non-Government Organizations (INGOs), including details of organizational structure, authorized representatives, foreign registration, local presence, regulatory approvals (such as NOC and MoU), and disclosure of key stakeholders holding 10% or more ownership.

S. No 4: Revised Property Valuation Tables for Lahore and Rawalpindi

The FBR has issued S.R.O. 876(I)/2026 and S.R.O. 877(I)/2026 dated 19 May 2026, introducing amendments to previously notified property valuation tables under section 68(4) of the Income Tax Ordinance, 2001 for Lahore and Rawalpindi, respectively.

The amendments revise valuation rates for residential and commercial plots as well as superstructures across various phases of DHA and other prominent localities by substituting and adding multiple entries in the existing tables.

Sales tax

[Sales Tax Act 1990]

S. No 1: Mandatory Electronic Monitoring for Key Manufacturing Sectors

The FBR has issued S.R.O. 880(I)/2026 dated 20 May 2026, mandating electronic monitoring of production for registered manufacturers of packaged milk, iron and steel, oil, and ghee.

The monitoring will be implemented in accordance with Rule 150ZQR of the Sales Tax Rules, 2006, and is effective immediately.

S. No 2: Sales tax return format change to show PDL and CSL

The FBR has issued S.R.O. 800(I)/2026 dated 5 May 2026, introducing amendments in the sales tax return format. The amendment replaces Annex-L of Form STR-7, which now requires reporting of Petroleum Development Levy (PDL) and Client Support Levy (CSL) paid through the sales tax return.

Sales Tax

[Sindh Sales Tax on Services Act, 2011]

Reduced Tax Rate for Two-Wheeler Ride-Hailing Services

The Sindh Revenue Board (SRB), through notification dated 25 May 2026, has directed to charge tax at reduced of 2% on the net fare (excluding the cab aggregator's commission) for passenger ride services falling under the relevant classification. This concession is subject to specific conditions, including that it applies only to passenger transportation services and does not extend to non-passenger activities such as delivery or cargo services. Additionally, the reduced rate does not absolve cab aggregators of their existing responsibilities and liabilities under the applicable Special Procedure Rules, 2019.

To provide legal backing and ensure consistency within the regulatory framework, the SRB has also amended the Sindh Sales Tax Special Procedure Rules, 2019 by inserting a proviso in Rule 3.

Customs

Additional Customs Area at SAPT for Empty Container Storage

The FBR, through S.R.O. 889(I)/2026 dated 25 May 2026, has declared an additional reclaimed area measuring 59,371 square meters adjoining the Pakistan Deep Water Container Port (South Asia Pakistan Terminal) as a customs area under the Customs Act, 1969.

This designated area is to be used for the storage of empty containers and is defined by specified boundaries, The authorization is subject to the validity of the lease of the land in the name of the Pakistan Deep Water Container Port (SAPT) and will remain effective only for the duration of such lease.

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