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A Brief of Finance Act, 2026

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Preamble

The National Assembly approved the Finance Bill 2026 on 26 June 2026 with certain amendments proposed therein and after the assent of the President of Pakistan, Finance Act, 2026 has been enacted on 27 June 2026. The amendments made would be effective from 01 July 2026 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, 2026.

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

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Income Tax Ordinance, 2001

Term ‘authorized shipping agent’ defined

The Act has introduced the definition of an “authorized shipping agent” as a person based in Pakistan who is authorized, by a non-resident ship owner, charterer, or operator to act on its behalf in relation to a vessel and such person, in connection with the relevant vessel or voyage:

1. is responsible for the receipt, collection, control, or accounting of the total freight and any related amounts, and shall undertake or be responsible for documentation, filing of manifests, or reporting of cargo or total freight include having, directly or indirectly, control, custody, or authority over the disposal of freight or related receipts attributable to such vessel or voyage; and
2. furnish the return of income under section 143 of the Ordinance 2001 in respect of such vessel or voyage and for the purposes of the Ordinance, such authorized shipping agent shall;
3. be regarded as the representative of the non-resident under section 172 of the Ordinance;
4. be jointly and severally liable for the payment of tax, as well as for all related obligations, proceedings, assessments, and recovery actions arising in respect of such vessel or voyage; and
5. be treated as representative under sub-section (3) of section 172 applying accordingly.

The Bill proposed to include persons authorized “expressly or impliedly” within the definition of an “authorized shipping agent”, however, the Act has omitted these words.

The amendment aims to ensure that tax authorities have a local point of enforcement and accountability for taxation matters arising from shipping operations of non-resident entities in Pakistan, particularly where freight income and related records are managed through local agents.

Term ‘electronically readable format’ defined

The Act has introduced the definition of “electronically readable format”, which refers to any digital format where data is structured in a manner that enables computer systems to automatically read, extract, validate, and process such data without human intervention including but not limited to formats such as spreadsheets (e.g., CSV and XLSX), XML, XBRL, JSON, and other structured or semi-structured data formats. However, formats primarily intended for human readability, such as PDF files, scanned images, or photographs, shall be excluded from this definition.

Definition of ‘fast-moving consumer goods’ omitted

As proposed in the Bill, the definition of “fast-moving consumer goods” introduced through the Finance Act, 2015 has been omitted.

Definition of ‘Integrated enterprise’ realigned

The Act has aligned the definition of ‘Integrated enterprise’ by replacing the reference to an “approved fiscal electronic device and software” with the expression “Board’s computerized system through a licensed integrator.”

This amendment aims to facilitate the Board in implementing and enforcing integration requirements through licensed integrators.

Term ‘Licensed integrator’ defined

The Act has introduced the definition of “licensed integrator” by referring to clause (15A) of section 2 of the Sales Tax Act, 1990. A licensed integrator means any person licensed by the Board to provide an electronic invoicing system for the purpose of integration.

PRAL defined

The Act has defined PRAL as Pakistan Revenue Automation (Pvt) Limited, a State Owned Enterprise being assigned functions related to software development and maintenance of the Board’s IT infrastructure.

Surcharge on salaried individuals withdrawn

The surcharge under section 4AB of the Ordinance was first introduced through the Finance Act, 2024 for individuals and AOPs at the rate of ten percent of income tax imposed where taxable income exceeds ten million rupees. The rate was reduced to nine percent for salaried persons through the Finance Act, 2025.

The Act has now exempted the salaried persons from this levy.

Tax on payments for digital transactions on e-commerce platforms

Finance Act, 2025 imposed tax on every person who receives payment for supply of digitally ordered goods or services delivered from within Pakistan using locally operated online platforms including marketplace or websites. Tax imposed was treated as final tax.

The Bill proposed treating the tax so imposed as adjustable in case of a person whose turnover in a tax year exceeds two hundred million rupees. The Act has retained this provision and further allowed persons having turnover up to two hundred million rupees to opt out of the final tax regime at the time of filing their return for tax year 2027 and onwards.

Tax on deemed rental income

Finance Act, 2022 imposed a tax at the rate of 20% on deemed income computed at 5% of the fair market value of specified capital assets situated in Pakistan, subject to prescribed exclusions.

The said provision was challenged by stakeholders on constitutional grounds. Recently, the Federal Constitutional Court of Pakistan (FCCP), established under the 27th Constitutional Amendment, declared the provision ultra vires the Constitution through its order dated 6 May 2026.

Accordingly, the Act has omitted the tax imposed on such capital assets, which appears to be a consequential amendment following the FCCP’s judgment.

The law has not delineated modus for automatic refund of tax deposited by taxpayers under this provision to date.

Life Insurance payouts to individuals taxed as final tax

The Act has introduced a Final Tax Regime (FTR) applicable to every individual receiving any payout, benefit, surrender value, maturity proceeds or similar payment from a life insurance business including payments under an insurance policy, family takaful certificate, plan or any similar arrangement with certain exemptions as provided below:

- payments made upon the death of the insured or participant;
- payments made on account of disability of the insured or participant; or
- payments under a policy, certificate or plan with a date of issuance exceeding four years. The limit has been reduced to four years in the Act, as against the seven years originally proposed in the Bill.

Further, every life insurance company including family takaful operator or a window takaful operator while making the payouts shall deduct tax on the gross amount of payout reduced by aggregate amount of premiums or contributions paid by the policy holder or a participant at the following rates.

S. No.	Description	Tax rate
1	Where payout or benefit is made within one year	15%
2	Where payout or benefit is made between one to four years	10%

Disallowance of expenses for failure to install electronic resource or to act as an integrated enterprise

The Finance Act, 2022, inserted a provision to disallow expenditure upto 8% attributable to sales claimed by the person who is required to integrate his business with FBR through approved electronic device and software but fails to do so.

The Bill proposed to broaden this scope by disallowing an amount not exceeding five percent of the expenditure claimed by any person who fails to install the prescribed electronic resource or to operate as an integrated enterprise, as required under the law, in accordance with such method, manner, and procedure as may be prescribed, the Act has reduced the percentage of disallowance from 'five' to 'three'.

Empowering Federal Government to rationalize rates of withholding taxes

The Act has empowered the Federal Government to rationalize withholding tax rates up to 1% that are in the nature of minimum tax (excluding rates applicable under section 113) on the basis of economic viability in cases of person or class of persons subject to such restrictions and limitations as the Federal Government may prescribe.

All such amendments made in a financial year shall be placed before the National Assembly by the Federal Government.

The Act has further described the term 'economic viability' which was not earlier proposed in the Bill.

Rationalization of tax credit for integration with FBR computerized systems

The Act has expanded the tax credit available for integration with the FBR's computerized systems.

Previously, the tax credit was restricted to the cost of purchasing point of sale (POS) machines, subject to a maximum credit of Rs. 150,000 per machine.

The Act has extended the scope of the credit to expenditure incurred on the purchase, acquisition, installation or implementation of equipment, hardware, software and other electronic components used exclusively for integration with the FBR's computerized systems for real-time production monitoring or the recording and reporting of sales or receipts.

The tax credit shall be equal to 10% of the amount invested in such electronic resources. However, no credit shall be available for operation and maintenance expenses and the credit shall be allowable only against normal tax liability.

Cost base for inherited immovable property rationalized

The Act has prescribed the cost of an immovable property acquired by an individual through inheritance.

The Bill proposed that the cost of such property shall be taken as its fair market value, on the date of death of the original owner, however, the Act has instead provided that the fair market value shall be determined on the date of transfer of the property to the beneficiary.

The amendment provides certainty regarding the cost base of inherited immovable property for the purpose of determining taxable gain on its subsequent disposal.

Family settlement included in transmission of inherited immovable property

An explanation has been inserted to provide that the transmission of an immovable property to a beneficiary on the death of a person shall also include transfer of immovable property through family settlement among legal heirs consequent upon such death.

This explanation extends the scope of tax-neutral transmission to cover post-death family arrangements.

Inclusion of “limited liability partnership” within “association of persons”

The Act has included the “limited liability partnership” within the definition of “association of persons”.

Taxability of members of exempt AOP and limited liability partnerships

The Act has omitted the explanation where the income is exempt in the hands of an association of persons the share of its members shall also be treated as exempt.

Further the Act has described that where the income of a “limited liability partnership” is exempt from tax, any amount received by member as share of profit earned by such limited liability partnership shall be included in the income of that member.

Special procedure for small traders and shopkeepers

Through the Finance Supplementary (Second Amendment) Act, 2019, the Board was empowered to prescribe a special procedure governing the scope and payment of tax, filing of returns, and assessment in relation to small traders and shopkeepers.

The Act has now empowered the Board to specify the applicable tax rates and payment mechanism, including fixed tax, as well as the procedures for filing of returns and audit for such small traders and shopkeepers.

Special provisions relating to capital gain tax

Capital gains on the disposal of listed securities, along with the applicable tax (including super tax), are required to be computed, determined, collected, and deposited by the NCCPL in accordance with the rules prescribed under the Eighth Schedule to the Ordinance.

These provisions did not apply to mutual funds, banking companies, non-banking finance companies, insurance companies, modarabas, and companies in respect of debt securities only.

The Act has included non-banking finance companies, modarabas and companies (with respect to debt securities only) within the scope of NCCPL-led collection of capital gains tax.

Further, in the case of banking companies, insurance companies, and mutual funds, the NCCPL shall compute and determine capital gains under section 37A. However, these entities will continue to be responsible for depositing tax on capital gains in accordance with the provisions of the Ordinance. This appears to be a step to create consistent framework across the board.

Filing of financial statements in an electronically readable file format with return of income

Under section 114, a return of income is required to be filed by specified persons on IRIS in prescribed form and accompanied by annexures.

The Act has empowered the Board to make rules governing the filing process and to prescribe procedures for verification, digital signatures, and other matters relating to the electronic filing of returns, statements, and documents.

For tax year 2026 and onwards, companies will be required to file their financial statements in an electronically readable file format.

Revision of return of income under algorithmic settlement mechanism

The Act introduced that a taxpayer who avails the algorithmic settlement mechanism and pays the tax amount determined under such mechanism may revise their return accordingly. Such revision of return will not require approval from the Commissioner, and no separate penalty or surcharge shall be levied.

Responsibility of ‘authorized shipping agent’ of non-resident ship owner or charterer

The Act has introduced the concept of an “authorized shipping agent” and provides that a single return shall be filed for each vessel or voyage, covering the total freight and all related amounts attributable to the ship.

This represents a significant change for the shipping industry, particularly in slot charter arrangements, where a consolidated return will now be filed and the corresponding tax deposited accordingly.

Under the new regime, the return in respect of a vessel or voyage shall be furnished either by the master of the ship or by the authorized shipping agent responsible for cargo manifest preparation and freight handling. No other person shall be permitted to file such return for the relevant vessel or voyage.

Additionally, the authorized shipping agent shall be treated as jointly and severally liable for the payment of tax, such tax shall be recoverable as due under an assessment order.

‘Assessment’ to include Faceless Assessment

The Act has amended the definition of "assessment" to include the newly introduced concept of ‘faceless assessment’.

Establishment of National Faceless Centre

Through an amendment by the Act, the Board has been empowered to establish a National Faceless Centre for conducting proceedings in a faceless manner and to specify its jurisdiction, powers and functions. The key features are as follows:

- The Centre shall comprise a Director General and such Chief Commissioners, Commissioners, Additional Commissioners, Deputy Commissioners, Assistant Commissioners and other Income Tax Authorities, along with support staff, as the Board may determine.
- The Board may design algorithms for assigning functions and jurisdiction.
- The Centre shall comprise such wings and units as prescribed by the Board.
- Audit, assessment and quality control functions for the same case shall be performed by separate officers.
- All communications with taxpayers and other stakeholders shall be made electronically.

Introduction of faceless jurisdiction of income tax authorities

Through an amendment, the Act has introduced establishment of a framework for National Faceless Centre, enabling designated Inland Revenue authorities to perform functions and exercise powers through an algorithm-based allocation system. The salient features include:

- Jurisdiction assigned to the National Faceless Centre may be exclusive or concurrent.

- The Board may transfer jurisdiction between the National Faceless Centre and the jurisdictional Commissioner.
- Physical verification including nature and size of the business, assets, investments, expenditures, and any other information or verification may be carried out through jurisdictional officers upon request of the Chief Commissioner.
- Allocation of verification may also be undertaken through algorithm-based system.
- The identity of officers exercising jurisdiction in the National Faceless Centre shall remain confidential.
- Proceedings shall not be invalid merely on the ground of jurisdiction, delegation of powers or non-disclosure of the officer's identity.

Framework for Faceless Audit and Assessment introduced

The Act has provided a new statutory framework for faceless audit and assessment. The principal features include:

- Audits, assessments, proceedings under section 111 and rectification under section 221 may be conducted in a faceless manner.
- Existing audit provisions continue to apply.
- Hearings and statements for obtaining information shall be conducted through electronic hearing.
- The identity, including facial and voice identity, of the officer conducting the hearing shall remain confidential.

Framework for Faceless Appeals introduced

The Act has also introduced a framework for processing appeals through the National Faceless Centre.

Under the newly inserted provisions, appeals filed before the Commissioner Appeals may be processed through the National Faceless Centre in the manner prescribed by the Board. The provisions relating to appellate proceedings shall continue to apply to such faceless appeals.

Algorithmic Settlement Mechanism introduced

The Act has introduced an algorithmic settlement mechanism for resolution of tax disputes through a digitally operated platform. The Board has been empowered to establish an algorithmic mechanism for settlement of tax proceedings at any stage before an assessment or amended assessment through revision of return.

Where the mechanism generates a settlement offer based on prescribed criteria, the taxpayer may accept the offer by revising the return and depositing the determined tax liability within ten days. The settlement offer is to be computed on the basis of various factors, including:

- the stage of proceedings at which settlement is offered;
- the taxpayer's compliance history maintained by the Board;
- the nature of the discrepancy, including valuation disputes, legal interpretation issues, unexplained income or assets, or concealment; and
- any other factors considered relevant by the Board to ensure revenue adequacy and equitable treatment of taxpayers.

Where a taxpayer accepts the settlement offer, the proceedings initiated through notice of audit selection, proceedings, in case of unexplained income or asset, audit observations or show cause notice to the extent covered by the settlement, shall stand abated.

However, acceptance of the settlement shall not preclude proceedings relating to any other issue not covered by the settlement offer or proceedings for any other tax year.

The newly introduced mechanism seeks to promote voluntary compliance, facilitate early resolution of disputes and reduce litigation through the use of data analytics and automated settlement models.

Reporting of financial transaction data by banking companies and financial institutions

The Act has inserted provisions relating to establishment of a framework for automated reporting of financial transaction data by banking companies and Electronic Money Institutions (EMIs).

Notwithstanding the provisions of the Banking Companies Ordinance, 1962, the State Bank of Pakistan Act, 1956, the Protection of Economic Reforms Act, 1992 or any other law, banking companies and EMIs are required to electronically upload specified financial information to the Central Data Hub for algorithmic cross-matching of banking and tax information.

The reporting obligation applies to account holders whose aggregate deposits or withdrawals exceed Rs. 100 million during a reporting period. The information to be furnished includes:

- deposits and withdrawals;
- opening and closing balances;
- peak credits; and
- total credits during the reporting period.

The uploaded information shall initially be processed digitally and shall not be visible to any income tax authority during the automated cross-matching process. Where a gross mismatch is identified, the information shall be fed into the Compliance Risk Management System of the Board and further proceedings shall be undertaken through the National Faceless Centre.

The Act also requires the Board to maintain strict confidentiality of banking information and prohibits disclosure or misuse of such information except as provided under in the statutes and rules governing commercial banking.

Establishment of Independent Case Scrutiny Committee

Provisions have been inserted for establishment of an Independent Case Scrutiny Committee for review of departmental litigation. Under the provisions, a reference before the High Court or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan, may only be filed after obtaining approval of the Independent Case Scrutiny Committee.

The Committee shall comprise of:

- a retired Judge of the Supreme Court, Federal Constitutional Court or a High Court as Chairman;
- an advocate having not less than fifteen years' experience in tax and commercial litigation; and
- a senior serving or retired FBR officer not below BS-20.

The recommendations of the Committee are binding upon the Commissioner Inland Revenue concerned.

The Act further provides legal protection to the members of the Independent Case Scrutiny Committee and the Commissioner in respect of decisions made.

The Committee shall exercise its powers from the date of its constitution as notified by the Board. Further, the period consumed in obtaining the Committee's approval shall be excluded while computing the limitation period for filing a reference, appeal or review before the superior court.

In cases where the limitation period had already commenced prior to coming into force of the Act, such exclusion shall be computed from the date on which the Act came into force.

Powers of rectification and reconstitution of Alternate Dispute Resolution Committee

The Act has amended the functioning of the Alternate Dispute Resolution Committee, empowering it to rectify any mistake apparent from the record, either on its own motion or on an application by the taxpayer or the Commissioner, notwithstanding dissolution of the Committee. Such rectification may be made within thirty days of communication of the Committee's decision.

The Act further provides a mechanism for reconstitution of the Committee where any member becomes unavailable during the proceedings. In such cases—

- the Chairman of the Board shall appoint a replacement within fifteen days;
- the reconstituted Committee shall continue the proceedings on the same terms and conditions;
- an additional period of sixty days shall be available to conclude the proceedings; and
- the total period available to the Committee shall not be less than ninety days from its original constitution.

These amendments are intended to ensure continuity of alternate dispute resolution proceedings and eliminate procedural delays arising from vacancies in the Committee.

Abolishment of advance tax on export proceeds

Previously, the provisions required to collect advance tax at the time of realization of export proceeds or making specified payments in addition to regular tax collection from realization of export proceeds. Now the Act has omitted the said provisions.

Scope of withholding tax on certain foreign currency and non-resident bank accounts

The Act has amended the provisions relating to deduction of tax by every banking company from capital gain arising on disposal of debt instrument and Government securities and certificates (including Shariah compliant variant) invested through a Foreign Currency Value Account [FCVA], Foreign Currency Business Value Account [FCBVA], Non-Resident Rupee Value Account [NRVA] and Non-Resident Rupee Business Value Account [NRBVA] being maintained by banks.

Consequent to the amendment, the scope of tax deduction has been enhanced to include FCBVA and NRBVA as well. The scope restricted to non-resident individuals holding POC, CNIC or NICOP investing through FCVA and NRVA, has now been extended to include every person.

Withholding tax on revenue from social media platforms introduced

The Act has introduced withholding tax regime on revenues received by digital content creators and social media influencers from platforms such as YouTube, Facebook, Instagram, TikTok and such other platforms. Banking and financial institutions shall deduct tax on such receipts.

Accordingly, every banking and non-banking financial institution shall, at the time of credit or receipt of any amount in an account of a person, deduct tax at the specified rates specified on such receipts from social media platforms.

For the purposes of this section:

“digital content creator” or “social media influencer” means any individual or entity deriving income from creation, publication, or monetization of content on digital platforms including but not limited to YouTube, Facebook, Instagram, Tik Tok or such others similar platforms; and

“payment” includes any inward remittance, transfer, or credit received through banking channels, including through intermediaries such as online payment service providers or digital financial platforms.

The tax deducted under this section shall be:

- minimum in the case of a resident person; and
- final tax in the case of a non-resident person not having a permanent establishment in Pakistan.

The Board may, by notification in the official Gazette, prescribe rules for implementation, including identification and reporting mechanisms.

The Act has maintained insertion of the above tax withholding to be ‘final tax’, however, mere the said insertion may lead to anomaly as the tax deduction on export proceeds is treated minimum for resident persons.

Exemption certificates for the whole tax year for NPOs and Collective Investment Schemes

Certain sectors were being issued with the exemption certificates for a limited period of a tax year hence facing hardship of renewal thereof after expiry of said certificate during the currency of the same tax year. The Act has authorized the concerned Commissioner to issue exemption certificate for the whole tax year for the following eligible persons and criteria namely:

- i. Collective investment scheme and REIT including SPV if they have distributed 90% or more of its accounting income amongst the unit or certificate holders or shareholders, as the case may be, in accordance with the provisions of clause (99) of Part I of the Second Schedule for the year immediately preceding the last tax year (the Bill proposed said limitation for last three years however the Act has relaxed this limitation to last preceding tax year); and
- ii. An approved NPO having approval under section 2(36) of the Ordinance.

Strengthening the framework for electronic integration

By modifying the provisions, the Act has strengthened the framework for electronic integration and invoicing systems whereby the Board may require any person or class of persons to install and use an electronic resource of such type and description as may be prescribed, or to act as an integrated enterprise through a notification in the official Gazette for the purpose of receiving, storing, matching and accessing information regarding any transaction that has a bearing on the tax liability of such person.

Failure to comply with the newly inserted provisions has been subjected to imposition of penalty.

Exchange of banking information of high-risk persons

In order to expand the framework for banking data exchange and tax information related to high risk persons, the Act has authorized SBP to establish, operate and maintain a secure centralized virtual repository of banking data, comprising such information, records, and financial transactions of persons maintained by scheduled banks on the basis of unique identifiers, as may be prescribed by the Board, and collect and provide the required data and results as applicable.

Enhancement of the powers of the Commissioner for tax audit

The Act has enhanced the powers of the Commissioner in case he having regard to:

- i. the nature and complexity of the accounts; or
- ii. volume of the accounts; or
- iii. doubts about the correctness of the accounts; or
- iv. multiplicity of transactions in the accounts; or
- v. specialized nature of business activity of the taxpayer; and
- vi. interests of the revenue.

is of the opinion that it is necessary so to do, he may, after giving the taxpayer a reasonable opportunity of being heard, and with the previous approval of the Chief Commissioner, direct the taxpayer to get either or all of the following to get the –

- a) accounts re-audited by an accountant, and to furnish a report of such audit duly signed and verified by such accountant including answers to the specific queries as the Commissioner may require;
- b) inventory re-valued by a cost accountant, and to furnish a report of such inventory valuation duly signed and verified by such cost accountant including answers to the specific queries as the Commissioner may require; and
- c) actuarial values in the accounts determined by an actuary and to furnish a report of such valuation duly signed and verified by such actuary including answers to the specific queries as the Commissioner may require;

As per the explanation inserted, the accountant, the cost accountant, or actuary shall be nominated by the Commissioner from amongst the panel of such accountants, valuers, or actuaries nominated by the Board.

The Act has inserted the proviso to the said explanation whereby after the first nomination, if the registered person objects to the nomination of a particular accountant or cost accountant within fifteen days, the Commissioner, if agreed with objections, may change the accountant or cost accountant with other accountant or cost accountant.

Rationalization and enhancement of penalties

The Act has amended the penalty provisions to rationalize and enhance certain penalties as follows:

1. Existing penalty rationalized

The explanation of 'tax payable' for the offence at S. No. 1 has been substituted as follows:

Explanation. — For the purposes of this entry, it is declared that the expression "tax payable" means the higher of —

- (i) tax chargeable on the taxable income on the basis of assessment made or treated to have been made under sections 120, 121, 122, 122D, or 122E; or
- (ii) the tax payable for the immediately preceding tax year for which a return of income was duly filed [earlier the Bill proposed the highest tax payable by the person in any of the three immediately preceding tax years for which returns of income were duly filed, however, the Act has rationalized the definition].

2. New penalties introduced

“2A	Where any person, having been required by the Board under sub-section (5) of section 174 to install and use an electronic resource of the type and description prescribed for the purpose of storing and accessing information regarding any transaction that has a bearing on the tax liability of such person, fails to install such electronic resource within the time specified, or having installed it, fails to use, maintain, or operate it in the prescribed manner, or tampers with, disables, or circumvents such electronic resource.	1% of the turnover or one million rupees for the first default, whichever is higher and two million rupees for every subsequent quarterly default. [Earlier, the Bill proposed said penalty as “One million rupees for the first default, and two million rupees for each subsequent default” however the Act has changed the penalty.	174(5)
2B	Where any agency, authority, institution, or organization that is an integrated organization within the meaning of section 175A, or has been notified as such by the Board, fails without reasonable cause to — (a) integrate its IT platform such data interface as notified by the Board within the time specified; or (b) share data of the categories and in the manner required under section 175A or the rules made thereunder; or (c) provide complete, accurate, and timely data as required; or (d) designate a focal person as required; or (e) remedy a deficiency or noncompliance within thirty days of a written notice by the Board identifying the deficiency.	A penalty of five hundred thousand rupees for the first default and one million rupees for each subsequent default shall be imposed on the principal officer of the integrated organization as defined in clause (44A) of section 2 of the Ordinance or the chief executive officer of the company or member in case of an association of persons and individual in case of sole proprietorship. Earlier, the Bill proposed extensive definition of the "principal officer" for this purpose, however the Act has linked the definition to the principal officer as defined to section 2(44A) of the Ordinance.	175A
36	Where a person claims a credit in respect of tax withheld at source under any provision of this Ordinance in excess of the amount verifiably deducted and deposited by the withholding agent, as confirmed through the Board's computerized system or otherwise.	Such person shall pay a penalty equal to the amount of excess credit claimed.	168

3. Existing penalties enhanced

S. No.	Description of Offences	Previous Penalties	Current Penalties
8	Failure to produce the record or document on the first notice in non-compliance with section 177 of the Ordinance.	Such person shall pay a penalty of twenty-five thousand rupees;	One hundred thousand rupees

S. No.	Description of Offences	Previous Penalties	Current Penalties
	The penalty for failure to comply with the similar notice (to produce the information under section 177) for second time.	such person shall pay a penalty of fifty thousand rupees; and	Two hundred thousand rupees
	The said penalty for failure to comply with the similar notice for the third time.	Such person shall pay a penalty of one hundred thousand rupees.	Three hundred thousand rupees

	Description of Offences	Existing Penalties	Proposed Penalties
10	Any person who— (a) makes a false or misleading statement to an Inland Revenue Authority either in writing or orally or electronically including a statement in an application, certificate, declaration, notification, return, objection or other document including books of accounts made, prepared, given, filed or furnished under this Ordinance	Such person shall pay a penalty of twenty-five thousand rupees or 50% of the amount of tax shortfall whichever is higher: Provided that in case of an assessment order deemed under section 120, no penalty shall be imposed to the extent of the tax shortfall occurring as a result of the taxpayer taking a reasonably arguable position on the application of this Ordinance to the taxpayers' position.	Five hundred thousand rupees or 100% the amount of tax shortfall whichever is higher subject to the existing proviso.

	Previous description of offences	Current description of offences
35	Any company and an association of persons who – (a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer; (b) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or (c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed.	Any person including company and an association of persons who – (a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer; (b) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or (c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed. "Explanation. — For the purposes of this entry, audited financial statements furnished in the form of image files, scanned documents, or password-protected files that are illegible or otherwise inaccessible to the concerned Inland Revenue authority shall be deemed to have been furnished as blank or incomplete documents."

The revised penalties proposed by the Bill at S. No. 12 and 15 have not been retained by the Act.

Surcharge for late filers increased

The Act has enhanced the surcharge for late filers to be included in the ATL after filing the return as follows:

Taxpayer	Existing surcharge (Rs.)	Proposed surcharge (Rs.)
Company	20,000	100,000
AOP	10,000	50,000
Individual	1,000	25,000

The Act has, however, provided that the conditions of payment of surcharge in case of an individual shall not apply who furnishes an 'undertaking' with the concerned Commissioner that he shall not purchase, acquire, or otherwise obtain ownership or beneficial interest in any property for a period of six months commencing from the date of furnishing such undertaking in such form as may be prescribed.

This provision was not originally proposed in the Bill.

Restriction and rationalization of information sharing

The relevant provisions of the Ordinance govern the maintenance of confidentiality of taxpayers' information by public servants, save certain persons as mentioned therein.

The Act has expanded the scope of instances where above restriction does not apply. These include audit mentors, sectoral experts and international research institutes.

Expansion of scope for appointment of experts

The Commissioner is authorized to appoint experts for audit and valuation matters.

The Act has expanded the scope to include audit mentors and sectoral experts alongside auditors. This will enable the Commissioner to utilize specialized technical and industry-specific expertise during audit proceedings. This change is brought with intention to improve audit quality through enhanced technical guidance and industry-specific expertise.

Establishment of Directorate General (Field Compliance), Inland Revenue

As a dedicated compliance and enforcement arm of the Board, the Act has authorized establishment of the Directorate General (Field Compliance), Inland Revenue which shall comprise a Director General together with Directors, Additional Directors, Deputy Directors, Assistant Directors and other officers to be appointed by the Board.

The Board has also been empowered to:

- specify the functions and jurisdiction of the Directorate General; and
- confer upon its officers the powers that can be exercised by Income Tax Authorities under the provisions of section 207.

Omission of tax withholding on foreign TV plays

The Act has omitted the tax withholding that was applicable on foreign TV dramas or plays dubbed in Urdu or other language for screening and viewing on any landing rights channel.

First Schedule

Tax rate- Part I

Salaried Individuals- Division I

The Act has reduced the tax rates for salaried individuals. The impact of changes vis a vis existing rates is as follows:

Taxable Income (Rs.)	Existing Rate of Tax	New Rate of Tax
Upto 600,000	-	-
600,001 to 1,200,000	1% of the amount exceeding Rs. 600,000	1% of the amount exceeding Rs.600,000
1,200,001 to 2,200,000	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000
2,200,001 to 3,200,000	Rs. 116,000 + 23% of the amount exceeding Rs. 2,200,000	Rs. 116,000 + 20% of the amount exceeding Rs. 2,200,000
3,200,001 to 4,100,000	Rs. 346,000 + 30% of the amount exceeding Rs. 3,200,000	316,000 + 25% of the amount exceeding Rs. 3,200,000
4,100,001 to 5,600,000	Rs. 616,000 + 35% of the amount exceeding Rs. 4,100,000	Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000
5,600,001 to 7,000,000		Rs. 976,000 + 32% of the amount exceeding Rs. 5,600,000
7,000,001 and above		Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000

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

Gross Monthly Salary (Rs.)	Gross Annual Salary (Rs.)	Tax Liability		Tax incidence	
		Existing (Rs.)	New (Rs.)	(Reduction) / Increase (Rs.)	(Reduction) / Increase (%)
50,000	600,000	-	-	-	0%
100,000	1,200,000	6,000	6,000	-	0%
183,333	2,200,000	116,000	116,000	-	0%
266,667	3,200,000	346,000	316,000	(30,000)	(8.67%)
341,667	4,100,000	616,000	541,000	(75,000)	(12.18%)
466,667	5,600,000	1,141,000	976,000	(165,000)	(14.46%)
583,333	7,000,000	1,631,000	1,424,000	(207,000)	(12.69%)
833,333	10,000,000	2,681,000	2,474,000	(207,000)	(7.72%)
1,000,000	12,000,000	*3,685,290	3,174,000	(511,290)	(13.87%)

*Includes surcharge of Rs. 304,290 (9% of the tax liability); under The Act, surcharge will not apply to income taxable under the salaried tax slab rates.

The Act has not revised the existing tax rates for AOPs and business individuals.

Super Tax- Division IIB

The Finance Act has substituted following rates for super tax:

S No.	Income under section 4C and person	Rate of Tax
1	Banking Company where income exceeds Rs. 150 million during the year.	10%
2	Persons falling under Part I Fifth Schedule to the Ordinance, 2001 where income exceeds Rs. 150 million during the year	10%
3	Persons engaged in deriving income from sale of Fertilizer where income exceeds Rs. 150 million during the year	10%
4	For a person other than those mentioned above, where income exceeds Rs. 500 million for the year.	8%

The Act has inserted clause (104B) in the Second Schedule to the Ordinance to provide that super tax shall not be applicable to a person if the export proceeds realized for the tax year represent more than 80% of his total turnover for that tax year.

Payments for Digital Transactions in E-commerce Platforms- Division IVA

Section 6A of the Ordinance 2001, related to tax on digital transaction uses the word “digitally ordered services”, whereas in First Schedule “digitally delivered services” has been mentioned.

The Act has substituted the word from “Delivered” to “Ordered” in First Schedule to align the wording adopted in respect of services under section 6A of the Ordinance 2001.

Capital gain on disposal of securities – Division VII

The Act has made amendment in the third proviso related to mutual funds, Collective Investment schemes or REIT schemes. In terms of the amended position to the effect that the tax deducted shall be the tax charge on the related capital gain, this amendment should *onwards* put to rest any ambiguity as to whether such tax deduction is only in the nature of advance tax or the same represent tax charge as well.

Tax on deemed income- Division VIII C

The Act has abolished tax rate for section 7E, which is in line with the omission of section 7E of the Ordinance 2001.

Increase in Rate of Minimum Tax under section 113 on certain Distributors- Division IX

The Act has deleted the related entry providing reduced rate of minimum tax at 0.25% on distributors of pharmaceutical products, fast-moving consumer goods, and cigarettes.

Clause 24D of Part II of the Second Schedule as amended by the Act, has provided minimum tax rate of 0.5% on certain items. Kindly see our comments at page No. 19.

(Advance Tax- Part II)

The Act has reduced the rate of tax under section 148 for import of mobile phone from Rs. 930 to Rs. 100 whose C & F Value exceeding USD 100 and up to USD 200.

(Withholding tax rate- Part III)*Certain Payments by life Insurance and Takaful operators- Division IC*

The Act has inserted following tax rates on amounts received by policyholders of life insurance companies and participants of family takaful operators:

S. No.	Description	New rate of tax
1	Where payout or benefit is made within one year from the date of issuance of the life insurance policy, family takaful certificate or plan	15%
2	Where payout or benefit is made after one year but before completion of four years [proposed in the bill at seven years] from the date of issuance of the life insurance policy, family takaful certificate or plan	10%

The tax deducted at the above rates, by life insurer or takaful operator, shall constitute a final tax liability in respect of the income of the policyholder arising from such payout or benefit.

Services provided by resident person- Division III

The Act has reduced the withholding tax rate on services from 15% to 14%, except in the case of independent professional services*, where withholding tax rate is prescribed to remain at 15%. The withholding tax rates for IT and IT enabled services and electronic and print media advertising services also remain intact at 4% and 1.5% respectively.

The Act has also increased the withholding tax rate applicable on service providers of specified sectors** from 6% to 7% and also substituted the term “services rendered by asset management companies” with the term “services rendered by non-banking finance company as defined in clause (35B) of section 2 of this Ordinance” in the definition of the term “specified services sectors”.

S. No.	Services	Current rate of withholding tax	New rate of withholding tax
1	Specified Services **	6%	7%
2	IT and IT enabled services	4%	4%
3	Independent professional Services *	15%	15%
4	Electronic and Print media Advertising Services	1.5%	1.5%
5	Terminal and port operating services	15%	12%
6	Services other than specified above	15%	14%

**Independent professional services include services of doctors, lawyers, architects, accountants, software engineers or developers working independently*

***Specified service sectors includes transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in section 2, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services including architectural services, warehousing services, services rendered by non-banking finance company as defined in clause*

(35B) of section 2 of this Ordinance, 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.

Gain arising on disposal of certain debt securities- Division IIIAA

The Act has increased rate of withholding tax on gain arising on disposal of certain debt securities from 15% to 20%. The rationale for this amendment appears to align the withholding tax rate on capital gains from debt securities with the rate applicable to profit on debt.

Revenues Received from Social Media Platforms- Division IIIAB

The Act has inserted new Division IIIAB which provides for the withholding tax at 5% on amounts received by a person through social media platforms under section 154B of the Ordinance 2001.

Exports- Division IV

The Act has enhanced the rate of tax deduction from 1% to 1.25% on amounts received against the export of goods under section 154 of the Ordinance 2001.

Export of Services- Division IVA

The Act has extended the reduced tax rate benefit of 0.25% available to exporters of IT and IT-enabled services registered with the Pakistan Software Export Board (PSEB) from tax year 2026 to tax year 2029.

(Transitional advance tax rates Part IV)

Sale or Transfer of Immovable property under section 236C of the Ordinance 2001- Division X

The Act has prescribed single rate of 2.75% advance tax on sale or transfer of immovable property under section 236C of the Ordinance 2001 irrespective of the amount of consideration.

Purchase of immovable property under section 236K of the Ordinance 2001- Division XVIII

The Act has prescribed single rate of 1.25% advance tax on purchase of immovable property under section 236K of the Ordinance 2001 irrespective of the Fair Market Value of the property.

Amount remitted abroad through Debit / Credit Cards etc.- Division XXVII

The Act has reduced rate of advance tax on remittance through credit, debit or prepaid cards from 5% to 0.5%.

Foreign Produced TV Dramas and Serials- Division XA

The Act has omitted the advance tax applicable to foreign-produced TV dramas and serials, in line with the omission of section 236CA of the Ordinance 2001.

Second Schedule

Exemption from total Income - Part I

The Act has substituted “National Endowment Scholarship for Talent (NEST)” with “Pakistan Education Endowment Fund” and has inserted the following new entities in the Table in sub-clause (4) of Clause 57 of Part I of the Second Schedule to Ordinance namely.

- Pakistan Red Crescent Society
- Shaheen Foundation PAF
- Dawat-e-Hadiya
- Sindh Institute of Urology and Transplantation
- Employees Social Security Institutions of Provincial Governments
- Workers Welfare Fund Organizations of Provincial Governments
- Make-A-Wish Foundation
- Quaid-i-Azam Mazar Management Board

It is pertinent to note that Dawat-e-Hadiya and Sindh Institute of Urology and Transplantation are presently covered under Clause (66) of Part I of the Second Schedule to the Ordinance 2001 whereby exemption from tax is available subject to fulfillment of the conditions prescribed under section 100C of the Ordinance 2001.

The inclusion of these entities in Clause (57) of Part I of the Second Schedule to the Ordinance 2001 would result in their exemption being governed by Clause (57). Consequently, these entities would no longer be required to satisfy the conditions prescribed under section 100C for availing exemption from tax.

Amendments in exemption

Previously, under Clause (79) of Part I of the Second Schedule to Ordinance 2001, any profit on debt derived from a rupee account held with a scheduled bank in Pakistan by a non-resident individual holding a Pakistan Origin Card (POC), National Identity Card for Overseas Pakistanis (NICOP) or Computerized National Identity Card (CNIC), where the deposits are made exclusively from foreign exchange remitted into such account, was exempt from tax.

Now the Act has amended the said Clause by substituting the reference of 'non-resident individuals holding POC, NICOP or CNIC' with 'a person maintaining a Non-Resident Pakistani Rupee Value Account (NRVA) or Non-Resident Business Value Account (NRBVA) under the scheme introduced by the State Bank of Pakistan [SBP]'.

New exemption introduced

The Act has introduced a new Clause (99C) which provides that any income derived by a Private Equity and Venture Capital Fund registered under Private Funds Regulations, 2015, if not less than ninety percent of its accounting income of that year, as reduced by accumulated losses and unrealized capital gains, is distributed by the Private Equity and Venture Capital Fund to its unit or certificate holders or shareholders:

Provided that this exemption shall not be available if the Private Equity and Venture Capital Fund is established to acquire a public listed company, whose status has not been changed to the private limited company on the acquisition.

Reduction in tax rates - Part II

Amendments

Under Clause (5AA) of Part II of the Second Schedule to the Ordinance 2001, tax was required to be deducted under section 152(2) at the rate of 10% from profit on debt earned by an individual from a debt instrument, whether conventional or Shariah-compliant, issued by the Federal Government under the Public Debt Act, 1944, where such investment is purchased exclusively through a bank account maintained abroad, a Non-Resident Rupee Account Repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan. The tax so deducted constitutes a final discharge of tax liability on such income.

The Act has amended the said Clause by substituting the word “individual” with “person” and replacing the expression “foreign currency account” with “Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA) and Non-Resident Rupee Business Value Account (NRBVA)”.

Revision of reduced minimum tax rate for distributors, wholesalers, and dealers [Clause (24D)]

Clause (24D) of Part II of the Second Schedule provided a reduced minimum tax rate of 0.25% under section 113(1) for distributors, dealers, sub-dealers, wholesalers and retailers of certain specified goods subject to prescribed condition.

The Act has amended the said Clause whereby the prescribed conditions remain the same, however, the following changes have been made:

- The minimum tax rate has been enhanced to 0.25% to 0.5%.
- Distributors, dealers, sub-dealers, wholesalers and retailers of fast-moving consumer goods [FMCGs], fertilizers, locally manufactured mobile phones, sugar, electronics (excluding imported mobile phones), cement, steel and edible oil were eligible for this reduction.
- Consequent to omission of concept of FMCGs, the Act has deleted this term.
- The Act has instead introduced this reduced rate for following specified goods [in lieu of FMCGs and the goods mentioned in bullet No. 2 above]:
 - Pharmaceutical
 - Fertilizer
 - Cigarette
 - Sugar
 - Locally manufactured mobile phones
 - Fresh and frozen food in canned or packaged form
 - Electronics
 - Beverages and dairy products
 - Pasta, cereals, biscuits, nuts, snacks and similar packaged food items
 - Condiments and baking items in bottled or packaged form
 - Skincare and cosmetics, haircare, oral care, baby care
 - Cleaning agents like laundry detergents, dishwashing soaps and floor cleaners
 - Toilet paper, paper towels, facial tissues, napkins, and similar products
 - Trash bags, aluminum foil, air freshener and insect sprays

Exemption from specific provisions - Part IV

Amendments in exemption

- At present, under Clause (47B) of Part IV of the Second Schedule to the Ordinance 2001, the provisions of sections 150, 151 and 233 and Part I, Division VII of the First Schedule do not apply to any person making payment to National Investment Unit Trust, a collective investment scheme, an approved pension fund, an approved income payment plan, a REIT scheme (including a Special Purpose Vehicle), a recognized provident fund, an approved superannuation fund or an approved gratuity fund.
 - The Act has inserted in the said Clause, the reference to section 151A which deals with tax deduction from gain arising on disposal of debt securities, thereby extending the scope of the withholding tax exemption to cover payments falling within the ambit of that section as well. Consequently, approved funds, collective investment schemes, and REIT schemes deriving gains from the disposal of debt securities will also be brought within the scope of the tax withholding exemption under this Clause.
 - It is pertinent to note that Clause (99) of the Second Schedule provides exemption from tax in respect of income derived by a collective investment scheme or a REIT scheme, including a Special Purpose Vehicle, subject to the condition that ninety percent of the accounting income is distributed to unit holders, certificate holders, or shareholders, as the case may be. However, despite this exemption at the income level, the benefit of Clause (47B) was not previously extended to collective investment schemes in respect of section 151A, primarily on the ground that Clause (47B) did not expressly include a reference to that section and accordingly exemption was not provided in respect thereof.
 - Accordingly, the amendment, by incorporating section 151A within the scope of Clause (47B), aligns the withholding tax exemption mechanism with the income tax exemption framework under Clause (99), thereby removing the existing inconsistency between the two provisions.
- Under Clause (111AB) of Part IV of the Second Schedule to the Ordinance 2001, the provisions of section 100BA and Rule 1 of the Tenth Schedule was not applicable to non-resident individuals holding POC, NICOP or CNIC, maintaining a FCVA or NRVA with authorized banks in Pakistan under the foreign exchange regulations issued by the SBP.

The Act has amended the said Clause by substituting the existing expression “non-resident individuals holding POC, NICOP or CNIC maintaining FCVA or NRVA” with “FCVA, Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA) and Non-Resident Rupee Business Value Account (NRBVA)”.

- Under Clause (114A) of Part I of the Second Schedule to the Ordinance 2001, the provisions of clause (ae) of sub-section (1) of section 114 and section 181 were not applicable to non-resident individuals holding POC, NICOP or CNIC, maintaining a FCVA or NRVA with authorized banks in Pakistan under the foreign exchange regulations issued by the SBP, subject to the condition that the exemption is not available where such person has Pakistan-source taxable income other than specified categories of income.

The Act has amended the said Clause by replacing the reference of “non-resident individuals holding POC, NICOP or CNIC maintaining FCVA or NRVA” with a broader reference to “persons maintaining FCVA, FCBVA, NRVA or NRBVA”, while retaining the existing condition relating to specified categories of Pakistan-source income.

- The Act has amended Clause (115) of Part IV of the Second Schedule to the Ordinance 2001, by increasing the turnover threshold for traders from Rs. 100 million to Rs. 200 million. Accordingly, the exemption from section 153 shall continue to apply to individual traders having turnover up to Rs. 200 million as a prescribed person, while the definition of “trader” under clause (28D) remains unchanged.

Exemption introduced

The Act has excluded person from the provisions of section 4C if the export proceeds realized for the tax year represent more than eighty percent of his total turnover for the tax year. [Clause 104B]

Exemptions withdrawn

- The provisions of sub-section (3) of section 153 shall not apply to any payment received by a manufacturer of iron and steel products in respect of sale of goods manufactured by him. This exemption was redundant as, under section 153(3), tax deducted is generally treated as minimum tax; however, in the case of manufacturer companies and listed companies, the tax is already adjustable. Accordingly, the exemption has been withdrawn as it had no practical impact, since manufacturer companies are already entitled to adjustable tax under section 153, however, non-corporate manufacturers of iron and steel products will be subject to minimum tax regime. [Clause 46A]
- The exemption from withholding tax under section 153 of the Ordinance, 2001, previously available to companies operating Trading Houses subject to specified conditions, has been omitted. Accordingly, such trading companies will now fall within the ambit of section 153 withholding regime. [Clause 57]

Eighth Schedule

Abolishment of opt-out from NCCPL Regime

Rule 5 of the Eighth Schedule provided that if a person intends to opt out from the determination and payment of tax as laid down in the said schedule, the said person may file an irrevocable option with NCCPL after obtaining prior approval of the Commissioner in prescribed manner.

The Act has omitted the said Rule, thereby the opt-out route from NCCPL's computation and collection process will no longer be available. The person falling within the scope of section 37A read with the Eighth Schedule will now be mandatorily subject to NCCPL's computation, determination, and collection process, with no avenue to seek Commissioner-approved exclusion therefrom. The omission raises questions for persons claiming exemption under a tax treaty.

Tenth Schedule

Higher rate of Capital Gain Tax on 'Non-Filers' on Securities

Through the Finance Act, 2024, sub-rule (y) was inserted in Rule (10) of the Tenth Schedule whereby tax collected under section 37A was excluded from the purview of the Tenth Schedule due to the reason that progressive tax rates for non-filers were introduced, with a minimum of 15% based on prescribed slab rates in Division I of Part I of the First Schedule, on the disposal of securities. Subsequently, through the Finance Act, 2025, the said sub-rule (y) was amended to restrict the said exclusion on 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. The Act has now omitted the said sub-rule (y) therefore withdrawal of the said exclusion means that the rate of tax collected under section 37A will be increased by 100% in case of persons not appearing on the Active Taxpayers' List (ATL).

Higher withholding tax rates for 'Non-Filers' introduced

The Act, has inserted sub-rule (aa) in Rule (10) of the Tenth Schedule whereby tax collected under newly inserted section 151B on amounts received by resident policyholders of life insurance companies and participants of family takaful operators will be increased by hundred percent, if the policyholders are not appearing in the ATL. However, this increased withholding rate would not be applicable in case of the recipient who is 'non-resident' even though he is not borne on the ATL.

Higher withholding tax rates for 'Late-Filers' abolished

Through the Finance Act, 2024, a category of 'Late Filer' was introduced by insertion of Rule 1A in the Tenth Schedule, whereby the rate of tax to be deducted / collected in respect of persons appearing on the ATL who have not filed return by the due date or extended due date (late filers), was increased as compared to active taxpayers filing return by the due date but kept lower than the non-filers. In this regard, higher rates for 'Late Filers' were prescribed only for withholding tax under sections 236C and 236K on purchase and sale or transfer of immovable property. Subsequently, through the Finance Act, 2025, such rates of withholding tax were further increased.

Now the Act has abolished such higher rates for 'Late Filers' by omitting Rule 1A of the Tenth Schedule which means that the rates applicable to the late filers will be the same as those applicable for the persons filing the return within the due date / extended due date.

Twelfth Schedule

The Act has inserted new PCT code 1520.0000 in Part II of Twelfth Schedule after PCT code 1518.0000, whereby tax rate of 2% under section 148 will be applicable on Glycerol, crude; glycerol waters and glycerol lyes.

Tax Rate Card

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%.

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
4	Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs. 116,000 plus 20% of the amount exceeding Rs. 2,200,000

S. No.	Taxable Income	Rate of Tax
5	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 316,000 plus 25% of the amount exceeding Rs. 3,200,000
6	Where taxable income exceeds Rs. 4,100,000 but does not exceed Rs. 5,600,000	Rs. 541,000 plus 29% of the amount exceeding Rs. 4,100,000
7	Where taxable income exceeds Rs. 5,600,000 but does not exceed Rs. 7,000,000	Rs. 976,000 plus 32% of the amount exceeding Rs. 5,600,000
8	Where taxable income exceeds Rs. 7,000,000	Rs. 1,424,000 plus 35% of the amount exceeding Rs. 7,000,000

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	Tax Year 2025	Tax Year 2026	Tax Year 2027 and onwards
1	Banking company	44%	43%	42%
2	Small company	20%		
3	Any other company	29%		

Super Tax on high earning persons

[Division IIB, Part I]

S. No	Income under section 4C and person	Rate of Tax for Tax Year 2027 and onwards
1	Income of a banking company exceeding Rs. 150 million	10% of the income
2	Income of a person, which is computed as per Part I of the Fifth Schedule, exceeding Rs. 150 million, so far as it does not exceed the limit specified in rule 4 of that Part	10% of the income

S. No	Income under section 4C and person	Rate of Tax for Tax Year 2027 and onwards
3	Income of a person, engaged in deriving income from sale of any kind of fertilizer, exceeding Rs. 150 million.	10% of the income
4	Income of a person other than those mentioned in S. No. 1, 2 and 3, exceeding Rs. 500 million	8% 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 sukuk received from special purpose vehicle

[Division IIIB, Part I]

Tax rates on return on investment in sukuk 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 ordered 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
b)	Cash on delivery by courier service	2% of the gross amount paid or payable

Tax rates on shipping or air transport income of a non-resident person

[Division V, Part I]

S. No	Category	Rate
a)	Shipping income	8% of the gross amount received or receivable

S. No	Category	Rate
b)	Air transport income	3% of the gross amount received or receivable

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. Provided that the rate of tax for individuals and association of persons not appearing on the Active Taxpayers' List, the rate of tax shall not be less than 15% in any case.
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	
3.	Where the holding period exceeds two years but does not exceed three years	10%	
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	
5.	Where the holding period exceeds four years but does not exceed five years	5%	
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	
7.	Where the holding period exceeds six years	0%	
8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	

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

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

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

Provided also that a mutual fund or a collective investment scheme or a REIT scheme shall charge and 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 VIII A, 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 to 750	Rs. 20	Up to 750	Rs. 15	Up to 750	Rs. 10
751 to 1500	Rs. 40	751 to 1500	Rs. 35	751 to 1500	Rs. 25
1501 & more	Rs. 70	1501 & more	Rs. 55	1501 & more	Rs. 35

Tax on developers

[Division VIII B, Part I]

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
Up to 120	Rs. 20	Up to 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 For Commercial Plots		(C) Urban Areas not specified in A and B	
201 and more	Rs. 70	201 and more	Rs. 55	201 and more	Rs. 35

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.	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

First Schedule

Note: Persons whose names do not appear in the Active Taxpayers List (ATL) 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 20% 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. 316,000 plus 25% 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 but does not exceed Rs. 5,600,000	Rs. 541,000 plus 29% of the amount exceeding Rs. 4,100,000	Adjustable	N/A	Person responsible for paying salary
VII.	Where taxable income exceeds Rs. 5,600,000 but does not exceed Rs. 7,000,000	Rs. 976,000 plus 32% of the amount exceeding Rs. 5,600,000	Adjustable	N/A	Person responsible for paying salary
VIII.	Where taxable income exceeds Rs. 7,000,000	Rs. 1,424,000 plus 35% of the amount exceeding Rs. 7,000,000	Adjustable	N/A	Person responsible for paying salary
IX.	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
X.	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

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
II.	Company where no tax is payable due to exemption of income or carry forward business losses or claim of tax credit	25 / 50	Final	Final	Tax Deduction by the payer of dividend
III.	- 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:	- Corporate entity	Final	Final	Tax Deduction by the payer of dividend
		- Others			
	In case of Mutual Funds, where proportional income derived from average annual investments in Equities	25 / 50			
		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	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			
	development finance 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)	20 / 40			Tax deduction by Custodians of Account of Debt Securities
151B	Payments by life insurance companies and takaful operators				
I.	Payments by life insurance companies and takaful operators to an individual under a life insurance policy, family takaful certificate, plan or arrangement	15 / *30 Where payout or benefit is made within one year from the date of issuance of the life insurance policy, family takaful certificate or plan. 10 / *20 Where payout or benefit is made after one year but before completion of four years from the date of issuance of the life insurance policy, family takaful certificate or plan.	Final	N/A	Tax deduction by life insurance companies and takaful operators making the payment

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
		*In case payment is made to non-resident person, the rate of tax deduction shall remain 10% or 15% as the case may be.			
152	Payments to non-residents				
I.	Royalty and technical fee	15	Final	Final	Tax Deduction by every person paying an amount
II.	Execution of a contract or sub-contract under a construction, assembly or installation project in Pakistan including a contract for the supply of supervisory activities in relation to such projects or any other contract for construction or services rendered relating thereto	7	Minimum	Minimum	Tax Deduction by every person paying an amount
III.	Contract for advertisement services rendered by TV Satellite channel	7	Minimum	Minimum	Tax Deduction by every person paying an amount
IV.	Insurance premium or re-insurance premium	5	Minimum	Minimum	Tax Deduction by every person paying an amount
V.	Advertisement services relaying from outside Pakistan	10	Minimum	Minimum	Tax Deduction by every person paying an amount
VI.	Foreign produced commercial for advertisement on any 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 - Period less than 6 months - Period more than 6 months	20 10	N/A	Final	Tax deduction by every banking company or a financial institution maintaining special convertible rupee account
VIII.	Capital gain arising on the disposal of debt instruments and government securities and certificates (including Shariah compliant variant) invested through Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA) or Non-Resident Rupee	10	Final	N/A	Tax deduction by every banking company

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
	Business Value Account (NRVBA)				
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 abroad, a non-resident repatriable rupee account or a foreign currency account maintained with a banking company in Pakistan	10	Final	N/A	Tax deduction by the person responsible for making of payment
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

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
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
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					

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
	- 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
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

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
	- Other taxpayers (For toll manufacturing)	11 / 22			person making payment
VI.	- Transport services	7 / 14	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	7 / 14	Minimum	Minimum	
	- Engineering services including architectural services				
	- Warehousing services				
	- Services rendered by non-banking finance 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.					

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
	- 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.	Independent professional services such as doctors, lawyers, architects, accountants, software engineers or developers, working independently	15 / 30	Minimum for Individual / N/A for AOP	N/A	Tax Deduction by the prescribed person making payment
IX.	Companies providing terminal and port operating services	12 / 24	N/A	Minimum	Tax Deduction by the prescribed person making payment
X.	Other services in the case of: - Company - Other taxpayers	14 / 28	Minimum	Minimum	Tax Deduction by the prescribed person making payment
XI.	Electronic and print media for advertisement services	1.5 / 3	Minimum	Minimum	Tax Deduction by the prescribed person making payment
XII.	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		
XIII.	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	Adjustable / Final, subject to conditions	Adjustable / Final, subject to conditions	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	Adjustable / Final, subject to conditions	Adjustable / Final, subject to conditions	Tax deduction by courier service as defined in 153(7)
154	Exports				

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
I.	At the time of realization of foreign exchange proceeds on account of the export of goods by an exporter	1.25	Minimum	Minimum	Tax Deduction by every authorized dealer in foreign exchange
II.	At the time of realization of the proceeds on account of a sale of goods to an exporter under an inland back -to-back letter of credit or any other arrangement	1.25	Minimum	Minimum	Tax Deduction by every banking company
III.	At the time of export of goods by an industrial undertaking located in the areas declared by the Federal Government to be a Zone	1.25	Minimum	Minimum	Tax Collection by EPZA (the Export Processing Zone Authority)
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	1.25	Minimum	Minimum	Tax Deduction by every direct exporter and an export house
V.	At the time of clearing of goods exported	1.25	Minimum	Minimum	Tax Collection by the Collector of Customs
154A	Export of Services				
I.	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.				

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
154B	Revenue received from social media platforms				
I.	Revenue received from social media platforms	5 / 10	Minimum in case of resident person Final in case of non-resident person having no PE in Pakistan	Minimum in case of resident person Final in case of non-resident person having no PE in Pakistan	Tax Deduction by banking and non-banking financial institution
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			
	- 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

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
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 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			

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
	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			
		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	

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
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
	- 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	75			

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
	under section 114B (Non-Filer)				
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	On the gross amount of consideration received on sale or transfer of immovable property	2.75 / 11.5	Adjustable / minimum / final subject to conditions	Adjustable / minimum subject to conditions	Tax Deduction by every person responsible for registering or attesting transfer
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			
s	- 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	1.25 / 10.5 (of the FMV)	Adjustable / Final subject to conditions	Adjustable	Tax Deduction by every person responsible for registering or attesting transfer
II	Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million	1.25 / 14.5 (of the FMV)	Adjustable / Final subject to conditions	Adjustable	Tax Deduction by every person responsible for registering or attesting transfer

Section	Type of Payment	Rate %	Individual & AOP	Company	Status of Tax Collected / Deducted
		Active / In-Active			
III	Where the fair market value exceeds Rs. 100 million	1.25 / 18.5 (of the FMV)	Adjustable/ Final subject to conditions	Adjustable	Tax Deduction by every person responsible for registering or attesting transfer
236Y	Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards	0.5 / 1	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 term “Production Monitoring System”

The Act has introduced definition of “**Production Monitoring System**” as any system or technology, used for the purposes of monitoring production and sale of goods, whether in real-time or otherwise, including such systems or technologies as may be prescribed by the Board from time to time.

Amendment in existing definitions

(43A) - Tier-1 retailer

The Act has introduced amendment in section 2(43A)(d) whereby wholesaler-cum-retailers engaged in the bulk import and supply of consumer goods having annual turnover exceeding two hundred million rupees shall be treated as Tier-1 Retailers. Previously, no turnover threshold was prescribed under this clause.

The Act has excluded the following from definition of Tier-1 Retailer

- Those retailers who were considered Tier-1 solely because of acquisition of point of sale for accepting payment through debit or credit cards. (43A)(f)
- The retailer whose deductible withholding tax under sections 236G or 236H of the Ordinance, during the immediately preceding twelve consecutive months has exceeded one lac rupees or five lac rupees respectively. (43A)(g)

The Act also inserted a new sub-clause (gb) to include in Tier-I, retailers whose annual turnover exceeds two hundred million rupees in preceding twelve consecutive months, whether determined on the basis of declared turnover or the turnover worked back from tax deducted under section 236G or 236H of the Ordinance.

Furthermore, the Act also inserted a new proviso after clause 43A(h) which empowers Board to exclude any person from the category of Tier-1 retailers.

(44) - Time of Supply

The Bill proposed insertion of explanation in clause (a) to clarify the term “*delivered or made available*” used in the definition of time of supply, which means when the goods become ready for dispatch from the business premises, factory, warehouse, godown or branch etc. However, the Act has not retained the provision.

(46) – Value of Supply

The Act has introduced amendment in section 2(46)(j), empowering board to use the valuation based upon the valuation notified by Pakistan Bureau of Statistics immediately before the start of tax period or outsource the function of valuation to third party, in case of used vehicles.

Amendment in ‘time and manner of payment’

The Bill proposed insertion of proviso after section 6(2) stating that in case of steel melters, steel re-rollers and composite units, the tax shall be collected based on per unit electricity consumption at the rate as prescribe by the Board and the tax so collected shall be adjustable against output tax and any excess amount of tax collected shall be refunded on monthly basis through Board automated refund system. However, for refund, it is necessary for the person to integrate with Board’s prescribed production monitoring and digital invoicing system.

The Finance Act, 2026 has, however, adopted the proposed changes in the following manner:

- In case of steel melters, steel re-rollers and composite units, the tax shall be collected based on per unit electricity consumption at the rate as prescribe by the Board including electricity generated through captive power plants and any other alternative source of energy and the tax so collected shall characterized as adjustable input tax, claimable in the sales tax return for the tax period in which the payment is made.
- The FBR has been empowered to prescribe lower per-unit rates for digitally integrated and compliant steel melters, steel re-rollers and composite units, taking into account input tax paid on imports and invoices issued through the electronic invoicing system, with the objective of minimizing refund generation.
- The Finance Act further provides that the per-unit sales tax shall be determined by the FBR based on the minimum notified price under clause (46) of section 2 of the Sales Tax Act, 1990, together with the industry benchmarks for electricity consumption per ton of steel production.

Empowering the Board to change adjustable input tax

The Act has introduced proviso under section 8B(1) to empower the Board to reduce or enhance the limit of adjustable input tax for any registered person based on the compliance or non-compliance with the production monitoring, digital invoicing, e-bility, POS, or any other electronic system.

Amendment in debit / credit notes mechanism

The Act has introduced new proviso in section 9, whereby, the debit / credit notes shall be governed by the mechanism including electronic adjustment which will be prescribed by the Board. This amendment has aligned the issuance of debit / credit notes electronically with the digital invoicing system.

Amendments relating to tax invoices

The Act has introduced the following amendments in section 23:

- The registered persons will be required to issue tax invoice for exempt supplies as well as for supplies made against advance. The invoices, including advance receipt invoice, will bear verifiable and unique FBR invoice number with effect from the date as may be notified by the Board.
- A new definition of “advance receipt invoice” under sub section (1AA) of Section 2 whose format will be notified by the Board from time to time.
- Further the term “Electronic Invoicing System” used in section 23 has been defined under sub-section (9AB) of section 2. It means electronic system or mechanism as may be prescribed by Board for issuance and recording of sales tax invoices.

De-registration, Blacklisting and Suspension of Registration further tightened

The Act has increased the scope of section 21, by empowering the Board or any officers to de-register, blacklist or suspend the registration of registered person on non-compliance in respect of failure to integrate their electronic invoicing system with Board’s computerized system or failure to make compliance with provisions of section 40C.

Electronic monitoring or tracking system made stringent

The Act has rationalized section 40C and is updated to align with current monitoring and enforcement mechanisms. Furthermore, sub-section (3) has been streamlined to require registered persons to procure tax stamps, barcodes, production monitoring equipment and related items from Board-appointed licenses.

The Act has introduced provision empowering to seize and confiscate any taxable goods which are manufactured or moved without affixing prescribed tax stamps.

Amendments in audit of sales tax affairs

The Act has further empowered the Commissioner, to direct a registered person, during pendency of proceedings, to conduct a re-audit of its accounts by accountant or re-valuation of inventory by cost accountant where such action is considered necessary, having regard to the nature, complexity, volume or correctness of the accounts, multiplicity of transactions, specialized nature of business activities, and the interests of revenue. The Commissioner may issue such directions only with the prior approval of the Chief Commissioner and after providing an opportunity of being heard to the registered person.

The Act has further introduced that upon completion of aforesaid re-audit / re-valuation, the Officer of Inland Revenue shall obtain the registered person's explanation on the issues raised and thereafter issue an audit report containing audit observations and findings. Consequently, proceedings relating to audit shall now be linked with the issuance of the audit report rather than the completion of the audit.

Further, the Act has reduced the payment requirement for availing the concession under section 33 from the full amount of tax involved to fifty percent of such amount when the registered person deposits the evaded tax along with default surcharge.

Establishment of 'National Faceless Center'

The Act has introduced section 32C, the provisions of this section empower the Board to establish a National Faceless Centre for conducting proceedings under the Act through electronic means. The Centre shall comprise a Director General, Officers of Inland Revenue, and support staff, with functions and jurisdictions assigned through algorithms developed by the Board. This further provides for segregation of audit, assessment and quality control functions among different officers and requires all communications with taxpayers and other stakeholders to be conducted electronically.

A definition of "*National Faceless Center*" has also been introduced in the Act 1990.

'Faceless Jurisdiction' introduced

The Act has introduced section 30AA relating to the jurisdiction of the National Faceless Centre. Under the new provision, Inland Revenue authorities appointed in the National Faceless Centre may perform functions and exercise powers assigned by the Board through algorithms in respect of specified persons, classes of persons and tax periods. The assigned jurisdiction may be exclusive or concurrent, and the Board may transfer such jurisdiction to the officer of Inland Revenue having jurisdiction under section 30.

The Chief Commissioner appointed in the National Faceless Centre may also request the Board to direct physical verification of the nature and size of business, assets, investments, expenditures, or any other information required for proceedings assigned to the Centre, including through an algorithm-based allocation system.

The provision further mandates confidentiality of the identity of authorities exercising jurisdiction in the National Faceless Centre and provides that notices, orders, or other communications issued by such authorities shall not be challenged merely on the grounds of jurisdiction under section 30, delegation of powers under section 32, or non-disclosure of the authority's identity.

'Faceless Audits and Assessments' introduced

The Act has introduced section 11H to introduce a faceless mechanism for audits under sections 25 and 72B, assessments under section 11E, and rectifications under section 57 in respect of such persons, classes of persons, incomes, or cases as may be specified by the Board. The provision further provides that any hearing or recording of statement under section 37 to give evidence and produce documents for any inquiry shall be conducted through E-hearing, while maintaining the confidentiality of the identity of the concerned officer.

Introduction of ‘Faceless Appeals’

The Act has introduced that appeals filed before the Commissioner - Appeals may be processed through the National Faceless Centre in the manner prescribed by the Board and the provisions relating to appeals shall apply to such faceless appeals.

Establishment of ‘Directorate General (Field Compliance), Inland Revenue’

The Act has introduced creation of Directorate General (Field Compliance) Inland Revenue, whose function, jurisdiction and powers will be notified by the Board in official gazette.

Procedure for sale of confiscated goods by auction introduced

The Act has inserted provisions prescribing the procedure for disposal of confiscated goods through public auction, including auction through electronic means. These provisions also require compliance with the Public Procurement Regulatory Authority Rules, 2014.

The sale proceeds shall be applied to the following purposes in their respective order:

- Expenses to the sales;
- Sales tax, other taxes and dues including penalty and surcharge; and
- Any remaining balance is refundable to the owner provided he applies for it within six months of the sale of the goods failing which the balance amount shall be deposited into government treasury. However, in case of outright confiscation no amount shall be refunded to the registered person.
- In case wherein goods declaration has been filed, the share of importer in sale proceeds shall not exceed the declared value of the goods.

‘Algorithmic Settlement Mechanism’ introduced

The Act has introduced a technology driven dispute resolution mechanism. The provisions empower the Board to generate settlement offers at any stage prior to the passing of an order under sections 11D or 11E, taking into account factors such as the registered persons’ compliance history, the nature of discrepancies, and the stage of proceedings.

The registered person, within ten days from the date of settlement offer, shall deposit the amount. Under the algorithmic settlement mechanism, issues covered by the settlement offer shall stand abated upon payment of the settlement amount. However, the settlement shall not affect proceedings relating to other issues, discrepancies, or tax periods.

Definition of “**Algorithmic Settlement Mechanism**” has also been introduced.

Establishment of ‘Independent Case Scrutiny Committee’

The Act has introduced provisions requiring prior approval of an independent case scrutiny committee before filing a reference before the High Court or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan. The Committee, comprising a retired judge, a tax litigation advocate, and a senior serving or retired Board officer of BS 20 or above, shall review cases assigned by the Board and its recommendations shall be binding on the Commissioner Inland Revenue. The newly adopted section also grants legal protection to committee members and the Commissioner concerned in respect of decisions made.

Further, through the Act, it has been clarified that for the purpose of determining the limitation period, the time elapsed between the commencement of the limitation period and the Committee's approval as certified by its Chairman, shall be excluded. In cases where the limitation period had already commenced before the Act came into force, the exclusion period will be computed from the date of commencement of the Act. This

amendment ensures that delays in obtaining the Committee's approval do not prejudice the prescribed filing timelines.

Disclosure of information by a public servant

The Bill proposed amendments to empower the Board to share sales tax return data of registered persons within a particular sector with other registered persons of the same sector. However, the Act has not adopted the provision.

Amendments in sales tax penalties

The Act has introduced amendments to section 33 which are as follows:

Offence description	Existing penalty	penalty
Where any person fails to furnish a return within the due date	A penalty of ten thousand rupees Provided that in case a person files a return within ten days of the due date, he shall pay a penalty of two hundred rupees for each day of default	A penalty of fifty thousand rupees Provided that in case a person files a return within ten days of the due date, he shall pay a penalty of two thousand rupees for each day of default
Any person who fails to issue an invoice when required under this Act.	A penalty of five thousand rupees or three per cent of the amount of the tax involved, whichever is higher.	A penalty of twenty-five thousand rupees or five per cent of the amount of the tax involved, whichever is higher.
Any person who unauthorizedly issues an invoice in which an amount of tax is specified.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher	Such person shall pay a penalty of fifty thousand rupees or ten percent of the amount of the tax involved, whichever is higher
Any person who fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Act or rules or orders made there under.	A penalty of ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher: if the amount of tax or any part thereof is paid within ten days from the due date, the defaulter shall pay a penalty of five hundred rupees for each day of default:	A penalty of fifty thousand rupees or five per cent of the amount of the tax involved, whichever is higher: if the amount of tax or any part thereof is paid within ten days from the due date, the defaulter shall pay a penalty of five thousand rupees for each day of default.
Any person who is required to apply for registration under this Act fails to make an application for registration before making taxable supplies	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher	Such person shall pay a penalty of fifty thousand rupees or five per cent of the amount of tax involved, whichever is higher
Any person who fails to maintain records required under this Act or the rules made thereunder	Such person shall pay a penalty of ten thousand rupees or five percent of the amount of tax involved, whichever is higher	Such person shall pay a penalty of fifty thousand rupees or five per cent of the amount of tax involved, whichever is higher

Offence description	Existing penalty	penalty
Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, fails to get himself registered under this Act, and if registered, fails to integrate in the manner as required under law within the stipulated time as notified by the Board.	Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of two months his business premises shall be liable to be sealed.	Such person shall be liable to pay a penalty up to one million rupees, if he continues to commit the offence after one month of the imposition of first penalty, he shall be liable to second penalty of up to five million rupees. His business premises shall be liable to be sealed with or without imposition of penalty.
Where any registered person issues a tax invoice for a transaction which is simulated or fictitious, or for which no actual supply of goods or services has taken place, as established after notice and adjudication.	N/A [New Penalty]	<p>Such person shall pay a penalty equal to the face value of the simulated or fictitious invoice or invoices.</p> <p>(ii) The Board shall, after issuance of a show cause notice and an opportunity of being heard, place the name and registration number of such person on a publicly accessible simulated invoice issuers register maintained on the Board's computerized system.</p> <p>(iii) Any input tax credit claimed by a counterparty on the basis of invoices issued by a person on the simulated invoice issuers register shall be reversed automatically and treated as inadmissible with effect from the date of listing.</p> <p>(iv) Listing on the register shall be removed upon full payment of the penalty and default surcharge, and upon satisfactory demonstration of compliance.</p>
Where the Board's computerized system identifies that input tax credit claimed by a registered person in respect of any tax period cannot be matched to corresponding output tax declared by the supplier for the same or proximate tax period, and such mismatch	N/A [New Penalty]	Such person shall pay a penalty of twenty per cent of the unmatched input tax amount, in addition to reversal of the inadmissible credit and payment of default surcharge under section 34.

Offence description	Existing penalty	penalty
is confirmed after issuance of notice and provision of opportunity of being heard.		
Where a registered person has claimed input tax credit on the basis of invoices issued by a person who is subsequently placed on the simulated invoice issuers register under S. No. 29, and such registered person fails to reverse the inadmissible input tax credit within sixty days of the listing of the invoice issuer on the register.	N/A [New Penalty]	Such person shall pay a penalty of twenty per cent of the unreversed input tax credit, in addition to the reversal of such credit and default surcharge under section 34.

Third Schedule

Sales tax on retail price – new additions

The Act has introduced following items in Third Schedule if sold in retail packing.

Serial No.	Description of goods	Heading Nos. of the 1 st Schedule to the Customs Act
56	Vegetable and animal fats and oils	Respective headings
56	Sugar Confectionary	Respective headings
57	Pasta, spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous	19.02
58	Sauces, ketchup, mixed condiments and mixed seasonings, mustard flour and meal and prepared mustard	Respective headings
59	Fermented beverages	Respective headings
60	Petroleum jelly, paraffin wax, micro-crystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes	27.12
61	Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants	38.08
62	Plates, sheets, film, foil, tape, strip and other flat shapes of plastics	39.19, 39.20,39.21
63	Tableware, kitchenware, plastic furniture, storage items, hygienic or toilet articles, and allied other household articles of plastics	Chapter 39

Serial No.	Description of goods	Heading Nos. of the 1 st Schedule to the Customs Act
64	Trunks, suit-cases, vanity-cases, executive-cases, briefcases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags, rucksacks, handbags, shopping-bags, wallets, purses, map-cases, cigarette-cases, tobacco-pouches, tool bags, sports bags, bottle-cases, jewellery boxes, powder-boxes, cutlery cases and similar containers, of leather or of composition leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard.	42.02
65	Footwear (all types)	Respective headings
66	Bathroom accessories and bath items, sanitaryware including taps, showerheads, fittings, mixers, valves and other washroom accessories and fixtures	Respective headings
67	Crockery Items	Respective headings
68	Car and automobile accessories	Respective headings
69	Milk, fat filled milk, preparations suitable for infants, and other products of milk	Respective headings
70	Preparations for use on the hair	33.05
71	Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorisers, whether or not perfumed or having disinfectant properties.	33.07
72	Toilet or facial tissue stock, towel or napkin stock and similar paper of a kind used for household or sanitary purposes, cellulose wadding and webs of cellulose fibres, whether or not creped, crinkled, embossed, perforated, surface-coloured, surface-decorated or printed, in rolls or sheets.	4803.0000, 48.18
73	Jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter, other fruit and vegetable preparations.	20.07, 20.08
74	Household utensils, including Stainless steel, aluminum, melamine and other utensils and tableware.	Respective headings
75	Ceramic Products including wash basins, commodes, tiles and allied ceramic sanitary products.	69.10"

Note: Where the Federal Government has notified that the sales tax shall be charged, levied and paid at a rate higher than eighteen percent, the same rate shall continue to be charged, levied and paid after their inclusion under the Third Schedule.

Sixth Schedule

Table I

New exemptions

The Act has introduced exemption on following item in Table-I of Sixth Schedule of Act, 1990:

Entry No.	Description of Goods	Heading Nos. of the 1 st Schedule to the Customs Act
27 A	Wheat and rice barn	Respective headings
181A	Import or lease of aircrafts and parts thereof by any airline company registered in Pakistan. This will be effective from the first day of July 2027.	Respective headings
182	Contraceptives	3926.9020 and 4014.1000
183	Female Sanitary Pads / Tampons	9619.0030
184	Import of Tankers, Dredgers, Floating or submersible drilling, or production platforms, Others floating structures and vessels. Other vessels for the transportation of goods Excluding Cruise ships, excursion boats and similar vessels principally designed for the transport of persons; ferry- boats of all kinds Provided that the quantity of imported goods under this entry shall be approved by Ministry of Maritime Affairs	8901.2000 8905.1000 8905.2000 8905.9000 8901.9000
185	Import of bullet proof vehicles by the: <ul style="list-style-type: none"> i) Federal Government for logistic arrangements for hanghai Cooperation Organization (SCO) summit subject to the prior approval from the Ministry of Foreign Affairs and the Ministry of Interior and Narcotics Control ii) By the Federal Government or Provincial Government for threat of terrorism against a public functionary as determined by the Ministry of Interior and Narcotics Control, subject to approval by the Federal Government. 	Respective heading.

Exemptions substituted

The Act has introduced exemption on following item in Table-I of Sixth Schedule of Act, 1990:

Entry No.	Description of Goods	Heading Nos. of the 1 st Schedule to the Customs Act
32	Newsprint, books, and magazines but excluding brochures, leaflets and directories.	4902.1000, and 4902.9000"

157	The exemption for import of CKD kits for vehicles like small cars and SUV with 50Kwh battery or below and Light commercial vehicles with 150 Kwh battery have been extended to June 30, 2027	Respective heading
181	Import or lease of aircrafts and parts thereof by Pakistan International Airlines Corporation Limited (PIACL) Provided that the custom authorities shall ensure that the quantities of things imported are limited to the requirements of materials and articles to be used in operations and maintenance of the aircrafts operated by the airline: Provided further that the ground handling equipment, service and operation vehicles, catering equipment and fuel trucks, not manufactured locally, and imported shall be used within airport premises as aforesaid.	8802.1200 8802.3000 8802.4000 8801.0000, 8802.2000, 8804.0000 8805.2900 8807.3000 9104.0010 8544.2000 7007.1900 and 9931.

Table 3

New exemptions

The Act has introduced exemption on following item in Table-I of Sixth Schedule of Act, 1990:

Entry No.	Description of Goods	Heading Nos. of the 1 st Schedule to the Customs Act
23	<p>Import of following machinery/ equipment for upgradation of existing refineries:</p> <ol style="list-style-type: none"> 1. Reactors 2. Shell and Tube Exchangers 3. Vessels (Strippers/ Separators/ K.O. Drums) 4. Trim Coolers 5. Air Coolers (Condensers) 6. Fired Heaters 7. Centrifugal Pumps 8. Reciprocating Pumps 9. Centrifugal Compressors 10. Reciprocating Compressors 11. Steam Reformer Furnaces 12. Filters, Provided that all such imports shall be essentially made for expansion of balancing, modernization, and rehabilitation of existing refineries and the quantity imported by each refinery shall be approved by Ministry of Petroleum and Natural Resources. <p>Condition:</p>	<p>8419.8990, 8419.5000</p> <p>8419.8990, 8418.6990, 8419.8990, 8417. 8000 8413.7090 8413.5000 8414.8090 8414.8090 8417.8000, 8421.3990</p>

Entry No.	Description of Goods	Heading Nos. of the 1 st Schedule to the Customs Act
	The goods shall be imported directly by the refinery after approval by the division concerned.	
24	<p>Import of machinery, equipment, raw materials, components and other capital goods, by Karachi Shipyard and Engineering Works Limited</p> <p>Condition:</p> <p>The Division dealing with the subject matter shall certify in the prescribed manner and format as per Annex-B that the imported goods are bona fide requirement. The authorized officer of the Ministry shall furnish all relevant information online to Pakistan Customs Computerized System against a specific user ID and password obtained under section 155D of the Customs Act, 1969.”;</p>	Respective headings as approved by the concerned Division.

Eight Schedule

Amendments

The Act has introduced to extend reduced rate of sales tax currently available on following items under Table-I of Eight schedule.

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Heading Nos. of the 1 st Schedule to the Customs Act
71.	Locally assembled electric vehicles (4 Wheelers) up to June 30, 2027	1%	Respective heading
80	EV transport buses of 25 seats or more and electric trucks in CBU condition	1%	8702.4090 8704.6030

Ninth Schedule

The Finance Act, 2026 has inserted a new sub-clause (vi) under the heading "Liability, Procedure and Conditions" in the Ninth Schedule.

The newly inserted provision allows an individual liable to pay tax on an imported mobile phone through the Device Identification, Registration and Blocking System (DIRBS) of the Pakistan Telecommunication Authority to discharge such tax in prescribed instalments, subject to the condition that all instalments are paid before the end of the financial year in which the import is made.

This amendment has been introduced directly through the Finance Act, 2026 and was not part of the Finance Bill, 2026.s

Eleventh Schedule

The Act has introduced amendment in Sr. No. 4 of the table provided in Eleventh Schedule to prescribe individuals and association of persons as withholding agents while making purchases from the persons other than active taxpayers.

The Act has prescribed registered persons involved in toll manufacturing as withholding agents, to withhold four times of tax charged on conversion charges from the persons other than registered persons.

Twelfth Schedule

The Bill proposed to impose 3% value addition tax, along with default surcharge, where manufacturers avail the waiver of value addition tax on imports but subsequently supply the imported goods in the same state, whether in the original packing, repacked, or in bulk. Further, where a manufacturer avails the waiver by declaring that the goods are imported for in-house consumption in the manufacturing process, but such goods are not consumed and are instead supplied in the same state, and such supplies exceed 50% of total imports during a financial year, the manufacturer shall be liable to prosecution.

However, the Act has modified this proposal. While it retains the provisions requiring manufacturers to pay the 3% value addition tax on an ad valorem basis, along with default surcharge, where imported goods are supplied in the same state, it omits the proposed prosecution provisions.

Further, the Act introduced provisions prescribing a reduced minimum value addition tax rate of 1% on the import of coal, subject to the condition that such coal is exclusively and directly supplied to Independent Power Producers (IPPs).

Federal Excise Act, 2005

First Schedule

Table I of First Schedule

The Act has introduced levy of FED on the following goods with respective rates mentioned thereagainst:

S. No.	Description of goods	Tariff heading	Amended FED rate
55A	Electric cars, electric SUVs, imported in CBU condition having value as determined under section 25 of the Custom Act, 1969 (V of 1969):--	Respective heading	
	(a) Not exceeding USD 75,000		0%
	(b) Exceeding USD 75,000 upto USD 110,000		30% ad val
	(c) Exceeding USD 110,000		40% ad val
65	Petroleum top Naphtha	2710.1942	(i) Rs. 80 per liter
	White Spirit/ Mineral Turpentine Oil (MTT)	2710.1240	(ii) Rs. 80 per liter
	Solvent Oil	2710.1250	(iii) Rs. 80 per liter
	It is provided that that duty under this serial no. shall not be charged on import or supply of white spirit and solvent oil purchased only for in-house consumption, subject to specified conditions.		

The Act has reduced FED rates on certain goods as follows:

S. No.	Description of Goods	Existing rate	Amended FED rate
7a	Acetate tow	Rs. 44,000 per Kg	Rs. 10,000 per Kg
8a	E-liquids by whatsoever name called, for electric cigarette kits	Rs. 10,000 per Kg or 65% of retail price whichever is higher	Rs. 16,500 per Kg

- The Act extends exemption on import and locally manufactured or assembled electric vehicles till 30th June 2027.
- The Act has excluded hydration drinks and WHO standard compliant sports / electrolytes beverages from imposition of FED of 20% of retail price.
- The Act has imposed FED on base oil and base lubricating oil falling under heading 2710.1993 at 5% ad valorem.

Table IA of First Schedule

The Act has introduced levy of Special Excise Duty in addition to FED on the following goods with respective rates mentioned thereagainst:

S. No.	Description of goods	Tariff heading	Amended FED rate
1.	Imported motor cars, SUVs and other motor vehicles, excluding auto rickshaws, principally designed for the transport of persons (other than those of headings 87.02), electric vehicles (4 wheelers) including station wagons, double cabin(4X4) pickup vehicles and racing cars:	87.03 8704.2190 8704.3190	
	a) of cylinder capacity 2000cc and above but not exceeding 3000cc		86% ad val
	b) of cylinder capacity exceeding 3000cc		92% ad val

The Act further introduced that time, mechanism, procedure, mode and manner of collection of such duty shall be prescribed by Board.

Table II of First Schedule

The Act has reduced FED on international air tickets for passengers as follows:

S. No.	Description of Services	Existing rate (Rs.)	Amended FED rate (Rs.)
3	b) Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan,—		
	(ii) Club, business and first class air tickets issued on or after the 1st day of July, 2026		
	(a) IATA Traffic Conference Area 1 (North, Central, South America and Environs)	350,000	50,000
	(b) IATA Traffic Conference Area 2		
	(I) Middle East and Africa	105,000	25,000
	(II) Europe	210,000	40,000
	(c) IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands)	210,000	40,000

Second Schedule

The Act has inserted the following goods in the Second Schedule to levy FED under sale tax mode with entitlement for input adjustment against output sales tax:

S. No.	Description of goods	Tariff heading
5	Imported and locally produced:	
	(i) Petroleum top Naphtha	2710.1942
	(ii) White Spirit/ Mineral Turpentine Oil (MTT)	2710.1240
	(iii) Solvent Oil	2710.1250

Third Schedule

Table I of Third Schedule

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

S. No.	Description of goods	Tariff heading
28	Imports of bullet proof vehicles by the: <ul style="list-style-type: none"> i) Federal Government for logistic arrangements for Shanghai Cooperation Organization (SCO) summit subject to the prior approval from the Ministry of Foreign Affairs and the Ministry of Interior and Narcotics Control ii) By the Federal Government or Provincial Government for threat of terrorism against a public functionary as determined by the Ministry of Interior and Narcotics Control, subject to approval by the Federal Government. 	Respective Heading

Independent Case Scrutiny Committee

- The Act has introduced to establish an Independent Case Scrutiny Committee for reviewing departmental litigation as discussed in detail in this commentary under Sales Tax section.

Faceless assessment and appeals concept being proposed

- The Act has introduced to establish a National Faceless Center for conducting proceedings under the Act 2005 in faceless manner. The jurisdiction, powers and functions, as discussed in details in this commentary under Sales Tax section, is to be applied under the Act 2005 as well.

Other amendments through the Act

- The Act has incorporated the definitions of the following terms:
 - Algorithmic Settlement Mechanism
 - Electronic Invoicing System
 - National Faceless Centre
 - Production Monitoring System

- The Act has extended the digital invoicing scheme to “advance receipts” and requiring the issuance of invoices bearing a verifiable and unique FBR invoice number.
- The Act has introduced to penalize any attempt to damage, destroy, erase or otherwise manipulate with the production monitoring or video analytics system implemented under Act 2005 without approval of the Commissioner.
- The Act has enhanced power to seize and / or confiscate dutiable goods produced or processed without the required electronic monitoring or tracking, along with the conveyance used for their transportation.
- The Act has introduced to make production monitoring system and video analytics part of monitoring and tracking scheme.
- The Act has empowered Commissioners to conduct audit more than once in a year and / or direct registered person to get their accounts re-audited or inventory revalued, if they deem so fit.

The Act has introduced that in case a registered person voluntarily deposits duty due after issuance of show cause alongwith default surcharge, in such case, fifty percent of penalty prescribed under Act 2005 shall still be payable.

The Customs Act, 1969

Fifth Schedule (Reduced Rate)

New insertion in the Schedule

Part-II – Table A

Description	H.S Code	Proposed rate
Active Pharmaceutical Ingredients (API)		
Asciminib	2934.9990	0%
Abiraterone Acetate	2937.2900	0%
Azacitidine	2933.5990	0%
Bortezomib	2934.9990	0%
Cabozantinib HCl	2934.9990	0%
Capecitabine USP	2934.9990	0%
Cisplatin	2843.9000	0%
Carboplatin	2843.9000	0%
Cyclophosphamide	2934.9990	0%
Cytarabine	2934.9990	0%
Daunorubicin	2941.9090	0%
Doxorubicin	2941.9090	0%
Epirubicin	2941.9090	0%
Idarubicin	2941.9090	0%
Imatinib Mesylate (Beta form)	2933.5990	0%
Lenalidomide Hemihydrate	2933.9990	0%
Lenalidomide Anhydrous	2933.9990	0%
Lenvatinib	2933.9990	0%
Mycophenolate Mofetil	2934.9990	0%
Mycophenolate Sodium	2941.9090	0%
Nilotinib Monohydrochloride Monohydrate	2933.5990	0%
Olaparib	2933.5990	0%
Osimeritinib	2933.9990	0%
Palbociclib	2933.5990	0%
Pazopanib Hydrochloride	2935.9090	0%
Pemetrexed Disodium	2933.5990	0%
6-Amino Peniciltanic Acid (6-APA)	2934.9990	0%
D(-) Alpha Phenylglycine (DAPG)	2922.4990	0%
3-(2-Chlorophenyl)-5-Methyl Isoxazol-4-Carbonyl Chloride (CMIC Chloride)	2934.9990	0%
3-(2-Chloro-6-Fluorophenyl)-5-Methyl Isoxazole-4-Carbonyl Chloride (FCMIC Chloride)	2934.9990	0%

Description	H.S Code	Proposed rate
7-Amino Desacetoxy Cephalosporanic Acid (7-ADCA)	2934.9990	0%
D(-) Dihydro Phenylglycine Dane's Salt (DHPGDS)/ D(-)Dihydrophenylglycine (Dane Sodium Salt)	2922.4990	0%
Dihydro Phenylglycine Methy Ester Hydrochloride	Respective heading	0%
D- Phenyl glycine Methyl Ester HCl (DPGME. HCl)/ ALPHA PHENYL GLYCINE METHYL ESTER	2922.4990	0%
7-Amino 3-Chloro Cephalosporanic Acid (7-ACCA)	2934.9990	0%
7-Amino 3-Vinyl Cephalosporanic Acid (7- AVCA)/7-Amino-3-Vinyl-3-Cephem-4-Carboxylic Acid (7-AVCA)	2934.9990	0%
(7-phenyl-acetamido-3-chloromethyl Cephalosporanic Acid p-methoxybenzyl ester (GCLE)	2934.9990	0%
Cefotaxime Free Acid	2941.9090	0%
Ceftriaxone Sodium Crude	2941.9090	0%
7-Chloro-6-Fluoro- 1cyclopropyl-1,4- Oxoquinoline-3-Carb-Oxylic Acid Fluoroquinolonic Acid (Ciprofloxacin Q-Acid)	2933.4990	0%
Acetyl Sulfamethoxazole Intermediate	2935.9090	0%
Erythromycin (MICA ESTER)	Respective heading	0%
Erythromycin Thiocyanate Oxime	2941.5000	0%
Ethyl Quinolonic Acid	2933.4990	0%
1-Cyclopropyl-6,7-Difluoro-1,4-Dthydro-8-Methoxy-4-Oxo-3-Quinoline Carboxylic Acid/Ethyl Ester (Moxifloxacin Q. Acid/ Ester)	2933.3990	0%
2,8-Diazabicyclo [4,3,0] nonane (Moxifloxacin Side Chain)	2933.9990	0%
(2S)-l-(Chloroacetyl)-2-pyrrolidinecarbonitrile	2934.9990	0%
9,10-Difluoro-2,3-Dihydro-3 Methyl-7-Oxo-(3s)- 7h-Pyrido(1,2,3-De)-1,4 Benzoxazine-6-Carboxylic Acid (Levofloxacin Q Acid)	2934.9990	0%
N-Methyl Piperazine	2933.5990	0%
Ethyl Quinolonic Acid	2933.4990	0%
D,D, Aza Erythromycin	2934.9990	0%
Erythromycin, 6-O-Methyl-2,4-Bis-O- (Trimethylsilyl),9-[O-(l Ethoxy-1 - Methylene) Oxime]	2941.5000	0%
2-Cyanopyrazine	Respective heading	0%
Simvastatin Ammonium Salt	Respective heading	0%
Amlodipine Crude or Amlodipine Base	2933.3990	0%
2-[1-[[[(1 R)-l-[E]-2-(7-Chloroquinolin-2-yl)ethenyl]phenyl]-3-[2-(2-hydroxypropan-2-yl)phenyl]propyl]sulfanylmethyl]cyclopropyl]acetic acid /Montelukast Acid	2933.4990	0%
(S)-Isopropyl 2((S)-2-(((2R,3R,4R,5R)-5-(2,4-dioxo-3,4-dihydropyrimidin-1(2H)-yl-4- fluoro-3- benzoyl-4-ethyltetrahydrofuran-2- yl)(methoxy)(phenoxy)-phosphorylamino)propanoate	2934.9990	0%
2'R)-2'-Deoxy-2'-fluoro-2'-methyluridine	2934.9990	0%

Description	H.S Code	Proposed rate
N-[(S)-(2,3,4,5,6-Pentafluorophenoxy)phenoxyphosphinyl]-L-alanine 1-Methylethyl ester	2934.9990	0%
1-ethyl-(3-dimethylaminepropyl) carbodiimide HCl (EDCI)	2925.2990	0%
(6s)-6-[5-[7-[2-(1R,3S,4S)-2-Azabicyclo[2,2,1]hept-3-yl]-1H-benzimidazol-6-yl]-9,9-difluoro-9H-imidazol-2-yl]-5-azaspiro[2,4]heptane hydrochloride (1:4)	2933.3990	0%
Ledipasvir Acetone Solvate	2933.3990	0%
(2S,4S)-2-[5-[1,11-Dihydro-2-[(2S,5S)-1-[(2S)-2-[(methoxycarbonyl)amino]-3-methyl-l-oxobutyl]-5-methyl-2-pyrrolidinyl][2]benzopyrano[4'3':6,7]naphtha[1,2-d]imidazole-9-yl]-1H-imidazol-2-yl]-4-(methoxymethyl)-l-pyrrolidinecarboxylic acid 1,1-dimethylethyl ester	2934.9990	0%
(2S)-1-(Chloroacetyl)-2-pyrrolidinecarbonitrile	2934.9990	0%
Remdesivir Intermediate N-I / Crude Acetonide/ 2-Ethylbutyl (R) ((3aR,4R,6aR)-6-(4-Aminopyrrolo[2,1-f][1,2,4]triazin-7-yl)-6-cyano-2,2-dimethyltetrahydrofuro[3,4-d][1,3]dioxo-4-yl) methoxy) (phenoxy)phosphoryl)-L-alanine	2933.9990	0%
3,6-Dichloropyrazine-2-carbonitrile	2933.9990	0%
4,7-dichloro Quinoline	2933.4990	0%
Valsartan methyl ester	2933.9990	0%
Cefuroxime Acid	2941.9090	0%
Dihydrophenyl Glycine Methyl Ester Hydrochloride (D HPGME HCl)	2922.4990	0%
2-(4-Isobutylphenyl) propanoic acid crude	2916.3990	0%
(1S)-1,5-Anhydro-1-C-[4-chloro-3-[[4-[(3S)-tetrahydro-3-furanyl]oxy]phenyl]methyl] Phenyl]-D-glucitol tetraacetate (Empagliflozin N-I)	2932.9990	0%
Cyprohepatidine Hydrochloride	2933.3990	0%
Theophylline-7-Acetic acid	2939.5900	0%
DL-Carnitinenitrile Chloride	2926.9090	0%
1,3,7-TRIMETHYLPURINE-2,6-Dione (Base Crude)	2939.2090	0%
3-[4-(2-Chloro Acetyl)-3-Hydroxy-3-methyl-2-amino]-6-chloro benzophenone	2942.0000	0%
8-Chloro-1-methyl-6-phenyl-4H-[1,2,4]triazolo[4,3-a][1,4]benzodiazepine	2942.0000	0%
2-N-Methyl-5-chlorobenzophenone	2942.0000	0%
2-N-Methyl Chloroacetamido-5-chloro Benzophenone	2942.0000	0%
1-methyl piperazine	2935.9090	0%
Para-Amino-Phenol	2922.2900	0%
2-(4-Isobutylphenyl) Propionic Acid Crude	2916.3990	0%
Racemic-2-[4-(4-chlorophenyl) phenyl methyl]-l-piperazine Ethanol (Crude)	2933.5990	0%
1-[1-[[[(1R)-1-[3-(1E)-2-(7-chloro-2-quinolyl)phenyl]-3-[2-(1-hydroxyl-1-methylethyl)phenyl]propyl]thiomethyl] cyclopropane acetic acid	2933.5990	0%
l-cyclopropyl- 6-fluoro-4-oxo-7-piperazine-yl-quinoline - 3-carboxylic acid - hydrochloric acid (crude)	Respective heading	0%
9,10-Difluoro-2,3-dihydro-3-methyl-7-oxo-7H-pyrido[1,2,3-de]-1,4-benzoxazine-6-carboxylic acid crude	2934.9990	0%
(S)-(-)-9-fluoro-2,3-dihydro-3-methyl-10-(4-methyl-piperazinyl)-7-oxo-7H-pyrido[1,2,3-de]-1,4-benzoxazine-6-carboxylic acid hemihydrates Crude	2934.4990	0%

Description	H.S Code	Proposed rate
1-Cyclopropyl-6-fluoro-1,4-dihydro-8-methoxy-7-((4as,7as)-octahydro-6H-pyrrolo(3,4-b)pyridine-6-yl)-4-oxo-3-quinolinecarboxylic acid	2933.4920	0%
Sitagliptin Free Base	2933.5990	0%
2-(2-chlorophenyl)-2-(methylamino) cyclohexanone (Ketamine Base)	2922.3900	0%
Acetylsalicylic Acid Crude	2918.2290	0%
(±)-4-[-hydroxy-4-[-4-(hydroxydiphenylmethyl)-1-piperidinyl]-butyl]-a,a-dimethylbenzeneacetic acid (Intermediate as Fexofenadine Base)	Respective heading	0%
5-(3,4,5 trimethoxybenzyl) pyrimidine-2,4-diamine (TMP technical)	Respective heading	0%
Sodium Fusidate	2941.9090	0%

Change in rate

Part-I

Description	H.S Code	Current Rate	Proposed rate
27. Following motor vehicles for the transport of goods and special purpose motor vehicles imported by the Construction Companies:			
Dumpers designed for off highway use.	8704.1090	20%	10%
Super swinger truck conveyors.	8705.9000	20%	10%
Mobile canal lining equipment.	8705.9000	20%	10%
Transit mixers.	8705.4000	20%	10%
Concrete Placing trucks.	8705.9000	20%	10%
Crane lorries.	8705.1000	20%	10%

Consequent to the omissions from the Schedule, standard rate of customs duty and other duties under the First schedule, if any, shall be levied with effect from 1 July, 2026.

Omissions from the schedule include following certain raw material / items / machinery / equipment of different sectors:

- Machinery for animal feed stuff
- Raw materials for the manufacture of PV Modules
- Parts of Solar Inverters
- Machinery and equipment imported by manufacturing units of solar cells, solar panels, solar inverters and solar batteries
- Items for tourism projects
- Diagnostic kits/equipment
- Raw materials/inputs for poultry and textile sector
- Imports of machinery and equipment for textile sector

Legislative Changes

Definition

The Act has introduced definition of 'State warehouse' which means any place authorized by the Collector of Customs to store the detained, seized or confiscated goods.

General power to exempt from customs duties

The Act extended the general power of Federal Government to allow exemption of customs duties till 30 June 2027 through amendment in the second proviso of sub-section (5) of section 19.

Checking of goods declaration by the Customs

The Act has included system of 'scanning' during the process of assessment in addition to other ways of assessment.

Procedure in case of goods not cleared or warehoused or transhipped or exported, etc.

Presently, the owner of the goods shall be liable to such penalties as may be notified by the Federal Government in number of cases. The Act has now empowered the Board with the approval of the Minister-in-Charge to levy such penalties. Further, the Board has also been empowered to notify rules including process of appeal against penalties and the customs stations, goods or class of goods.

The Act has empowered the Board to authorize any person to auction any auction able goods in a competitive manner as provided in the Public Procurement Rules, 2004.

Extent of confiscation

Under section 157(2) of the Act 1969, every conveyance of whatever kind used in the removal of any goods liable to confiscation under this Act shall also be liable to confiscation. However, the word 'removal' has not been defined or explained. Now, the Act has explained the word 'removal' which includes every act of carrying, transporting, depositing, harboring, keeping, concealing, retailing, or any other act involving movement of smuggled goods.

Procedure in respect of goods seized or detained by other authorities

Presently, under section 170 there are procedures and proceedings in respect of goods seized or detained to be conducted by other authorities prior to handing over to the customs authorities. Now, section 170 has been substituted through the Act. Under the substituted section any goods liable to confiscation are detained or seized by any other authority on any violation, irrespective of any pending proceedings under the laws of that authority, the customs authorities upon confirmation that such goods are liable to confiscation shall intimate that authority and that authority shall be bound to deposit the impugned goods with customs.

Power of adjudication

The Act has empowered the Board to notify a procedure for faceless adjudication whereby adjudication proceedings shall be conducted without any face-to-face interaction between the adjudicating officer and the respondent.

Cognizance of offences by Special Judges

The Act has inserted a new sub-section (6) in section 185A, whereby a Special Judge is satisfied that there is any reasonable ground for believing that the accused has committed an illegal transfer of funds into or out of Pakistan, he may order the freezing of the assets of the accused, whether in his possession or in the possession of any other person on his behalf. However, in the case of a person other than the accused, no order shall be passed by the Special Judge without providing such person an opportunity of being heard, except where immediate action is necessary to prevent the dissipation of assets.

Independent Case Scrutiny Committee

The Act has introduced new section 196JJ, whereby any civil petition, reference, civil petition for leave to appeal or review petition before the High Court, the Federal Constitutional Court or the Supreme Court of Pakistan shall only be filed by designated officers of the Customs with the approval of an independent case scrutiny committee as constituted by the Board.

The independent case scrutiny committee shall comprise of the following Members, namely:

- (a) A retired judge of superior judiciary who shall also act as Chairman of the Committee.
- (b) An advocate having not less than fifteen years of experience in customs and commercial litigation before the High Court or Supreme Court of Pakistan.
- (c) A serving or retired officer not below the rank of Director or Collector of Customs.

The Committee may co-opt a chartered accountant as a non-voting member, whenever required. Recommendations of the committee shall be binding, and no suit, prosecution or other legal proceedings shall lie against the members of the committee in relation to the decisions made under this section.

The Act has explained that while determining time-limitation, the time spent in the Committee's approval shall be excluded subject to the certification by the Chairman on case-to-case basis. In case time-limitation has already started the date of commencement of time shall be taken from the date on which the Finance Act 2026 comes into force.

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