

# Budget Commentary 2026





## **BUDGET COMMENTARY, 2026**

This commentary has been prepared for our clients and staff for information and guidance only, and is available for interested persons at our website <http://www.atccompany.pk>. The notes contained herein are based on the Finance Bill, 2026-27 which, upon enactment with or without modification, shall be issued as the Finance Act, 2026.

### **ATC COMPANY**

**DATED: JUNE 12, 2026**

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COMPARATIVE BUDGET AT A GLANCE  
(AMOUNTS ROUNDED TO NEAREST BILLION)

Receipts

Revenue Receipts

Direct taxes

Indirect taxes

Non-tax revenue

Gross revenue receipts

Less: Transfer to provinces

**Net revenue receipts**

Non Bank Borrowing

External resources

Cash & Bank borrowings

Privatization proceeds

**Total Resources**

Expenditure

Current expenditure

Interest Payments

Pension

Defence Affairs & Services

Grants and Transfers to Provinces & Others

Subsidies

Running of Civil Govt

Provision for Emergency and others

Development expenditure

Federal PSDP

Net Lending

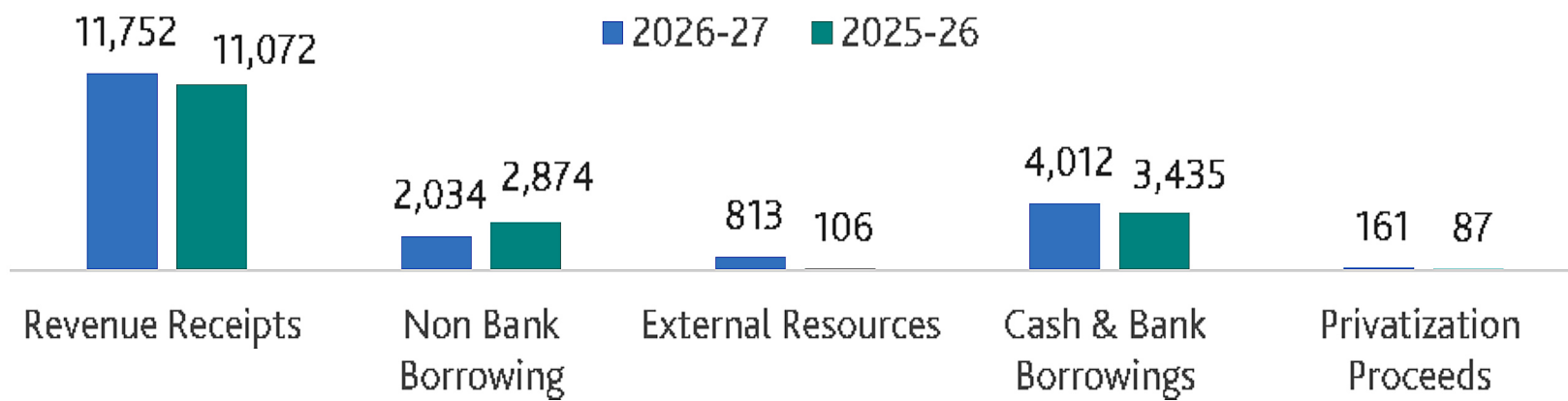
**Total Expenditure**

| Budgeted<br>2026-27 |             | Budgeted<br>2025-26 |             |
|---------------------|-------------|---------------------|-------------|
| PKR                 | %           | PKR                 | %           |
| 7,613               | 41%         | 6,902               | 39%         |
| 7,651               | 41%         | 7,229               | 41%         |
| <b>15,264</b>       | <b>81%</b>  | <b>14,131</b>       | <b>80%</b>  |
| 5,336               | 28%         | 5,147               | 29%         |
| <b>20,600</b>       | <b>110%</b> | <b>19,278</b>       | <b>110%</b> |
| (8,848)             | -47%        | (8,206)             | -47%        |
| <b>11,752</b>       | <b>63%</b>  | <b>11,072</b>       | <b>63%</b>  |
| 2,034               | 11%         | 2,874               | 16%         |
| 813                 | 4%          | 106                 | 1%          |
| 4,012               | 21%         | 3,435               | 20%         |
| 161                 | 1%          | 87                  | 0%          |
| <b>18,771</b>       | <b>100%</b> | <b>17,573</b>       | <b>100%</b> |

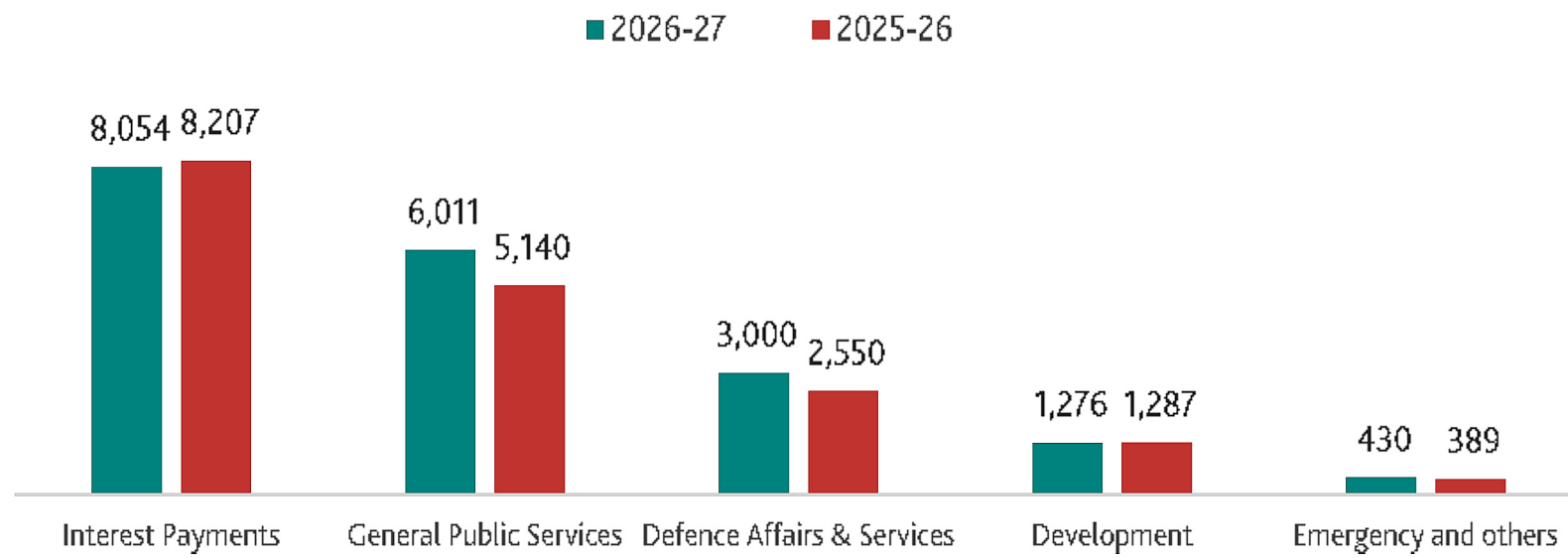
  

|               |             |               |             |
|---------------|-------------|---------------|-------------|
| 8,054         | 43%         | 8,207         | 47%         |
| 1,169         | 6%          | 1,055         | 6%          |
| 3,000         | 16%         | 2,550         | 15%         |
| 2,680         | 14%         | 1,928         | 11%         |
| 1,091         | 6%          | 1,186         | 7%          |
| 1,071         | 6%          | 971           | 6%          |
| 430           | 2%          | 389           | 2%          |
| <b>17,495</b> | <b>93%</b>  | <b>16,286</b> | <b>93%</b>  |
| 1,000         | 5%          | 1,000         | 6%          |
| 276           | 1%          | 287           | 2%          |
| <b>1,276</b>  | <b>7%</b>   | <b>1,287</b>  | <b>7%</b>   |
| <b>18,771</b> | <b>100%</b> | <b>17,573</b> | <b>100%</b> |

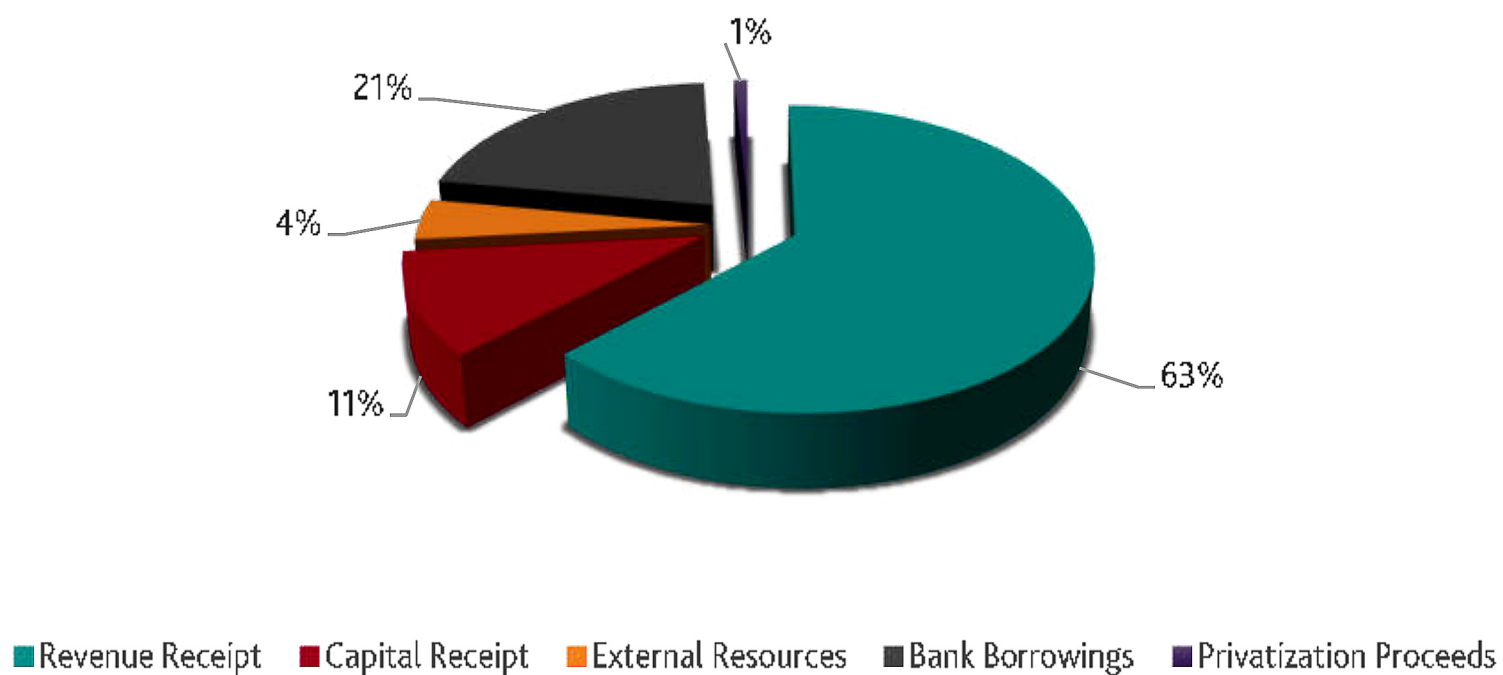
### Comparison of Revenue (PKR 'Bn)



### Comparison of Expenses (PKR 'Bn)

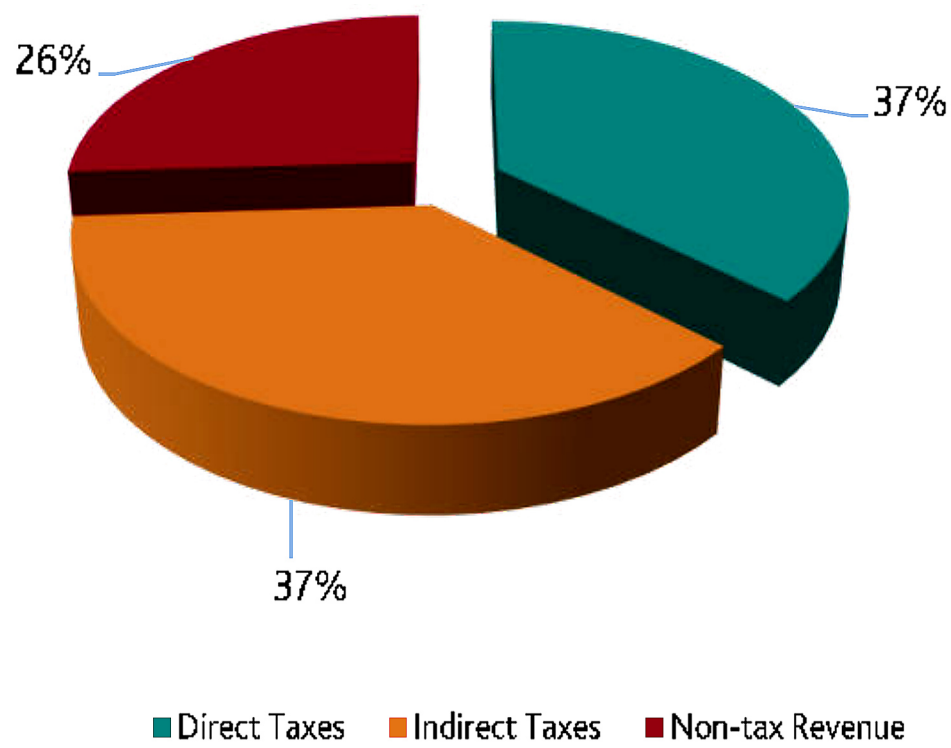


### Sources of Funds

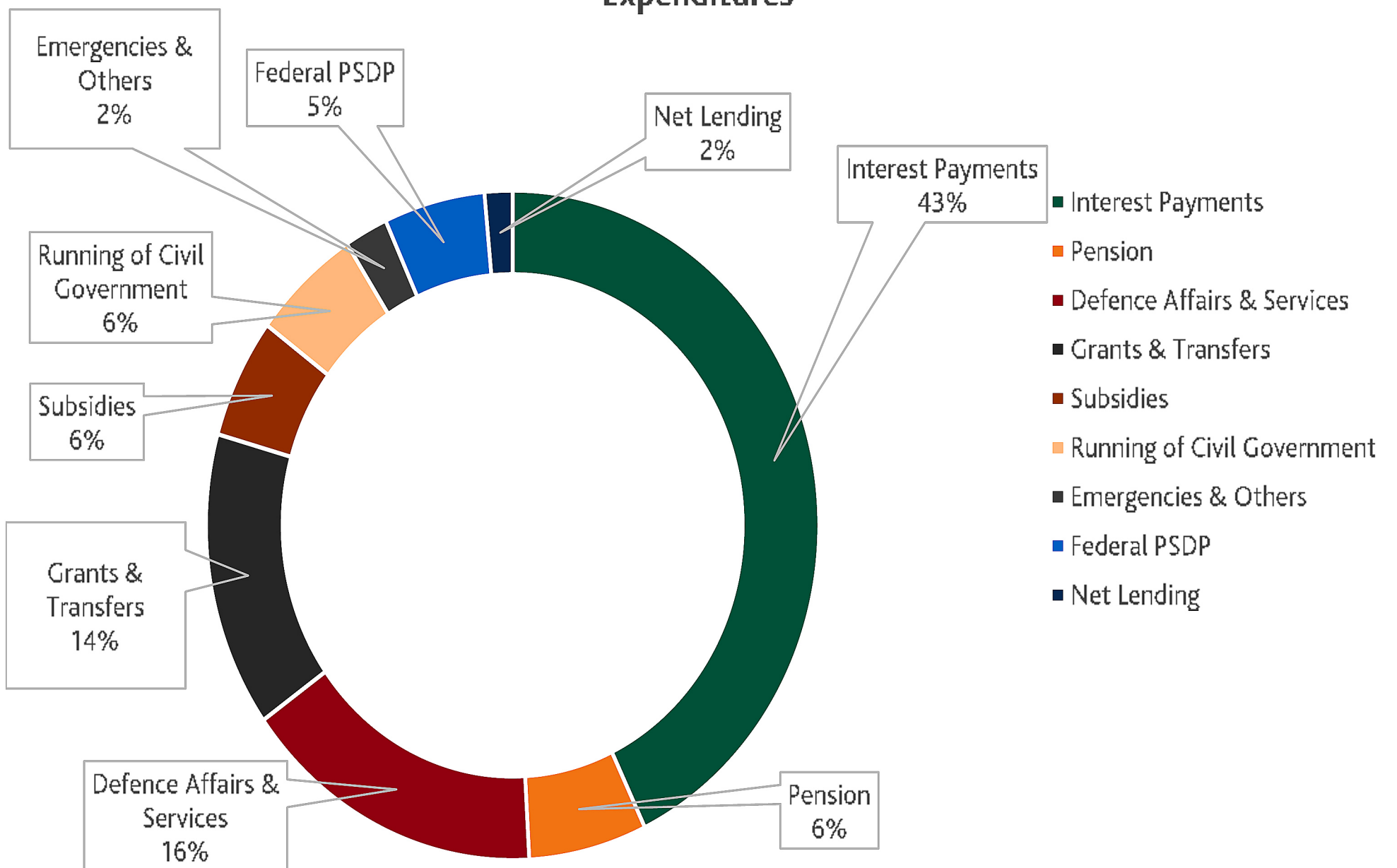




### Breakup of Revenue Receipt



### Expenditures



## OVERVIEW OF PAKISTAN ECONOMY AND BUDGET 2026-2027

On June 12, 2026, Finance Minister Muhammad Aurangzeb presented the federal budget for fiscal year 2026–27 (FY27). This is the third budget presented by the Government under the IMF program with the economy showing signs of gradual recovery amid mixed economic indicators, reflected in high oil prices, increasing inflation, a reversed stance on monetary easing, a slightly appreciated exchange rate, and a rise in foreign exchange reserves.

### OVERVIEW

Pakistan's economy started FY26 on a promising note and demonstrated signs of stabilization in the first seven months. Inflation was within the government target range of 5-7%, government finances were improving, and foreign exchange reserves were building up. The outbreak of the US/Israel conflict with Iran introduced a significant external shock to Pakistan's economy. The GDP growth improved to 3.7% from 3.2% last year, while the inflation, which averaged 4.6% in FY25, rose to an average of 6.2% (July–April FY26). This accelerated sharply recording 10.9% in April 2026 and 11.7% in May 2026, driven primarily by the Middle East crisis. The year opened with the monetary policy rate of 11% which now stands at 11.5%. The PKR appreciated against the US dollar by 1.9%, shifting from PKR 283.0 in June 2025 to PKR 278.8 in May 2026. The KSE-100 Index surged by 38.5%, from 125,627 points in June 2025 to 173,963 points in May 2026, company incorporations declined by over 8% as compared to the previous year, the fiscal deficit narrowed to 0.7% of GDP (from 2.6%), the primary surplus grew to 3.2% from 3.0% for the same period last year, and FBR tax collections jumped by 10.3% to PKR 10,262.6 billion.

On the external front, Pakistan continues the IMF Extended Fund Facility (EFF) program alongside the Resilience and Sustainability Facility (RSF). The current account although remained in surplus at USD 72 million during July–March FY2026 was well below the USD 1.7 billion amount in the past year. Pakistan's sovereign credit profile improved significantly in FY26, with rating upgrades by Fitch Ratings and S&P Global Ratings to "B-", followed by Moody's upgrade from "Caa2 to Caa1", reflecting renewed international confidence. Pakistan meaningfully diversified its external funding sources during the year. In March 2026, Pakistan listed its first PKR-denominated green bond with proceeds directed toward renewable energy, clean agriculture, and green transportation projects. Additionally, in April 2026, Pakistan returned to international capital markets after a four-year absence, raising USD 750 million through a three-year Eurobond priced at 6.97%, upsized from the originally planned USD 500 million following strong investor demand through the exercise of a greenshoe option. In May 2026, Pakistan became the first South Asian country to issue a Panda Bond, raising RMB 1.75 billion (equivalent to USD 250 million) in China's domestic bond market, attracting demand of over RMB 8.8bn (\$1.26bn), resulting in oversubscription of more than five times.

The Saudi–Pakistan Defense Agreement signed in September 2025 between Saudi Arabia and Pakistan strengthened sovereign confidence, external financing prospects, and Gulf capital inflows, which is beginning to be viewed as an extension of long-standing strategic cooperation at a time of external account vulnerability. On the Pakistan–Afghanistan end, the hostilities intensified into high-intensity clashes during February and March this year, which increased security-related fiscal pressures, disrupted trade through key crossings, and added to inflationary pressure and supply chain constraints.

A major development in February 2026 was the start of Iran–US/Israel conflict that led to the closure of the Strait of Hormuz sending ripples through global energy markets, which resulted in volatility in international oil prices that increased Pakistan's import bill, which, given Pakistan's dependence on oil imports exerted significant pressure on the economy. A positive outcome of this conflict was Pakistan's emergence as a mediator receiving global appreciation for its diplomatic efforts to bring US and Iran to a consensus.

### IMF'S DISBURSEMENTS TO PAKISTAN:

This coming fiscal year is the third under the Extended Fund Facility (EFF) and the second under the Resilience and Sustainability Facility (RSF) arrangements. In May 2025, following the successful completion of the first review, total receipts stood at USD 2.1 billion under the EFF and USD 1.4 billion under the RSF. During FY26, on December 8, 2025, the IMF Executive Board completed the second review of Pakistan's economic reform program supported by the EFF and the first review under the RSF, resulting in an immediate disbursement of approximately USD 1.0 billion under the EFF and USD 200 million under the RSF. Subsequently, on May 8, 2026, the IMF approved disbursements of USD 1.1 billion under the EFF and USD 220 million under the RSF, following the successful completion of the third review under the EFF and the second review under the RSF, bringing total cumulative disbursements under both arrangements to approximately USD 4.8 billion. Despite the recent Middle East crisis, Pakistan's IMF-supported program continues to remain on track.

### FBR TAX COLLECTIONS:

The Federal Board of Revenue (FBR) demonstrated robust performance in revenue collection during the first ten months of FY2026, supported by various tax policy measures introduced in the Budget 2025–26. During the period July to April FY2026, net provisional tax collections increased by 10.3% to PKR 10,262.6 billion, compared to PKR 9,300.2 billion during the same period last year. Domestic tax collection rose by 10.1%, totaling PKR 9,305.9 billion during July–March FY2026, up from PKR 8,256.8 billion in the corresponding period of FY2025.



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Direct tax revenue grew by 13.5%, amounting to PKR 5,084.1 billion, compared to PKR 4,479.3 billion last year. The bulk of this collection was derived from income tax, with major contributions from contracts, imports, and profit distributions. Indirect tax collection increased by 7.9%, reaching PKR 3,425.8 billion, up from PKR 3,174.0 billion in the same period last year. Within this segment, net sales tax collections rose by 7.9%, totaling PKR 3,425.8 billion, compared to PKR 3,174.0 billion a year earlier. Of the total sales tax revenue, 17.0% was collected on imports, with the remaining share originating from domestic sources.

Federal Excise Duty (FED) collection recorded a growth of 11.5%, reaching PKR 672.9 billion, up from PKR 603.5 billion in the corresponding period of FY2025. Key contributors to FED revenues included cigarettes, cement, beverage and food concentrates, motor vehicles, and air travel. Customs duty collection increased by 3.5%, amounting to PKR 1,079.8 billion, compared to PKR 1,043.4 billion last year. Major revenue drivers included mineral fuels, vehicles, edible oil, and machinery.

## CURRENT BUDGET OUTLAY

The government has presented a budget outlay of PKR 18.8 T as compared to PKR 17.6 T in the same period last year (SPLY).

On the Receipts side, revenue from taxes is estimated at PKR 15.3 T, non-tax revenue is estimated at PKR 5.3 T while the transfer to provinces is estimated at PKR 8.8 T reaching the net revenue receipts of PKR 11.7 T as compared to 11.1 T presented in the budget last year. Inflow from non-bank borrowings, external sources, cash and bank borrowing, and privatization is forecast at PKR 7.02 T as compared to PKR 6.5 T in last year.

On the Expenditures side, the allocation for interest payments stands at 43% (compared to 47% in the previous budget), the same for defence affairs & services stands at 16% (compared to 15% in the previous budget), grants and transfers to provinces & others stand at 14% (compared to 11% in the previous budget). The other 27% is allocated to pensions, subsidies, running of civil government, provision for emergency and others, federal PSDP, and net lending.

## ECONOMIC OVERVIEW

### GDP GROWTH:

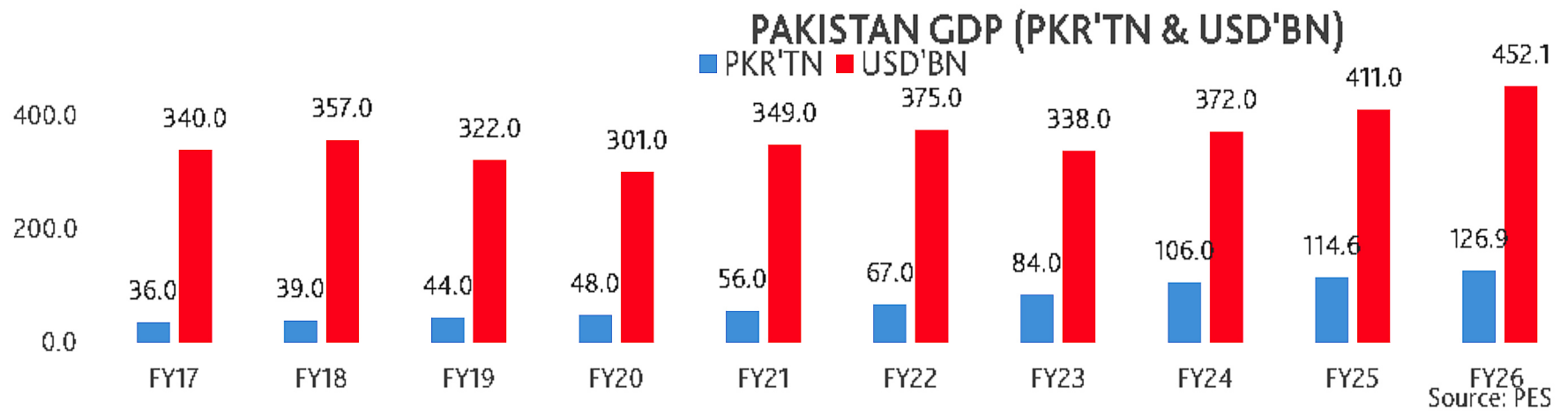
Pakistan's economy demonstrated stronger growth and continued macroeconomic stabilization in FY2026, despite persistent global uncertainties, geopolitical tensions, and domestic economic challenges. The provisional Gross Domestic Product (GDP) growth for FY26 is recorded at 3.7%, a modest improvement from 3.2% in FY25, pushing the economy's value to an estimated Rs 126.9 T (USD 452.1 B) from Rs 114.0 T (USD 408.2 B). The provisional growth has been reported at 3.7%, which has missed the initial set target of 4.1%.

The agriculture sector in FY26 remains the economic backbone and recorded a growth of 2.89 percent, compared to 1.53 percent during the same period last year. The crop sub-sector rebounded with growth of 1.44 percent, compared with a contraction of 1.01 percent in FY25, primarily due to improved production in wheat, rice, and sugarcane, offsetting declines in cotton and maize production, supporting overall agricultural output.

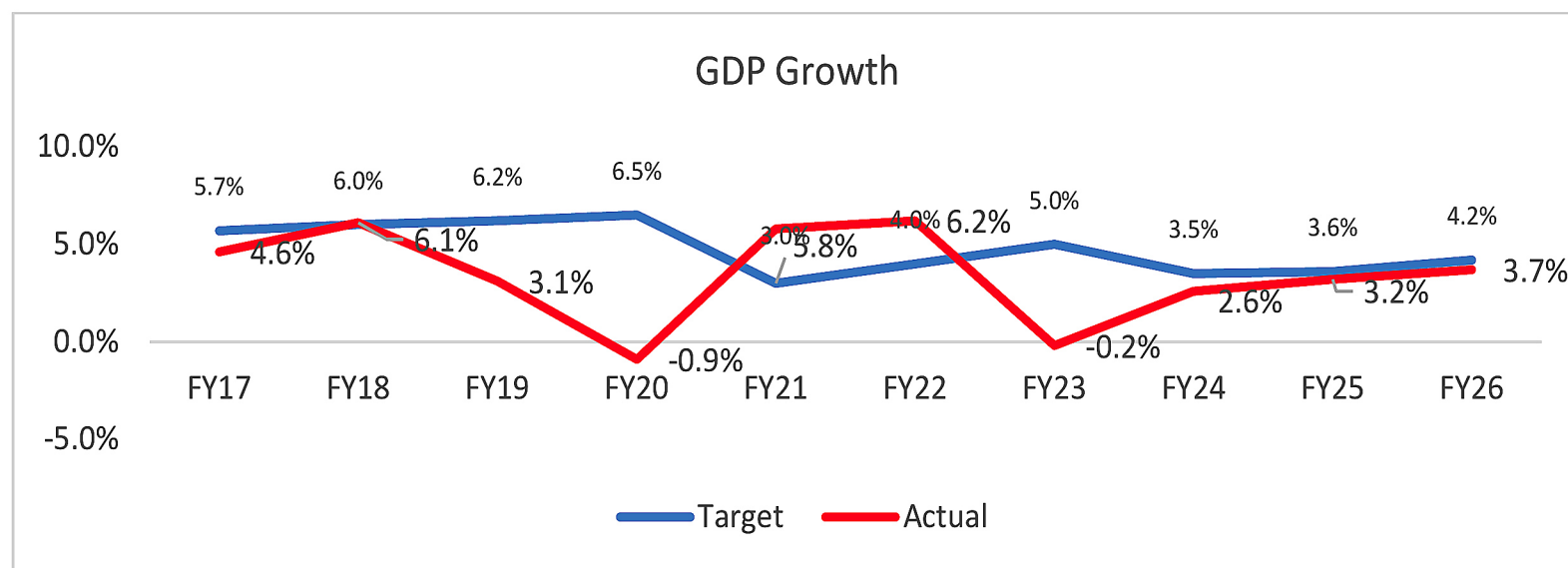
The livestock sub-sector also maintained its growth momentum, expanding by 3.75 percent compared to 2.95 percent in FY2025. Furthermore, the establishment of the National Agriculture and Food Security Council (NAFSC) and the National Meat Sector Transformation and Export Council provided renewed policy impetus for enhancing food security, improving livestock productivity, and promoting agricultural and meat exports.

The services sector expanded by 4.09 percent in FY 2026, and maintains its position as the largest contributor to overall GDP growth supported by a strong growth in information and communication services.

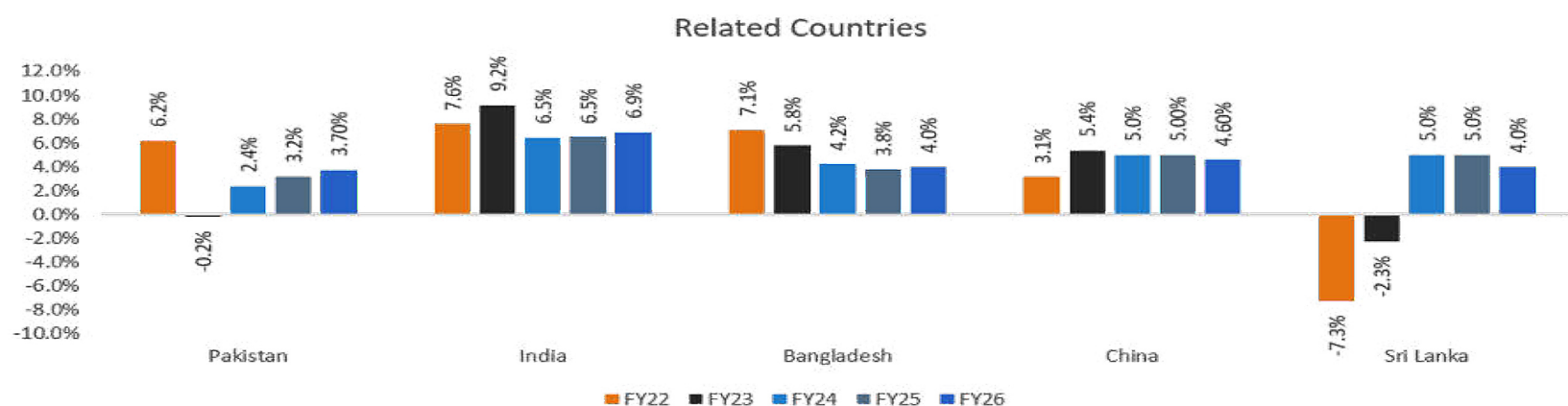
Pakistan achieved a Current Account surplus of US\$ 72 M during July–March FY25, supported by sustained inflows from services export and remittances. Export growth was driven by core textile categories such as knitwear, readymade garments and bedwear, while the import bill widened due to higher demand for petroleum, agricultural inputs, chemicals and electrical machinery. ICT exports recorded a robust 19.8% growth, reinforcing the services sector's growing contribution to Pakistan's foreign exchange earnings. Remittance inflows remained a key pillar of external stability, rising 8.2% to USD 30.3 billion during July–March FY2026 from USD 28.0 billion in the same period last year, with Saudi Arabia and the UAE remaining the largest source markets. On the investment front, net FDI inflows reached USD 1.4 billion, led by China and Hong Kong, with the power sector and financial services attracting the largest shares. Foreign exchange reserves stood at USD 20.6 billion as of April 17, 2026, including USD 15.1 billion held by the SBP reflecting a continued strengthening of Pakistan's external buffers.



Over the past decade, GDP has reflected a pattern of underperformance against officially set targets. Pakistan met or exceeded its growth target in only three Fiscal years: FY2018 (6.1% against a 6.0% target), FY2021 (5.8% against 3.0%), and FY2022 (6.2% against 4.0%). The remaining seven years saw the economy fall short of its targets, most severely in FY2020 (0.9% against 6.5%) due to COVID-19 and in FY2023 (0.2% against 5.0%) amid catastrophic floods, a balance-of-payments crisis, and acute political instability. Looking ahead, Pakistan's National Economic Council (NEC) has approved a 4.0% GDP growth target for FY2027, while the IMF projects a more modest 3.5%.



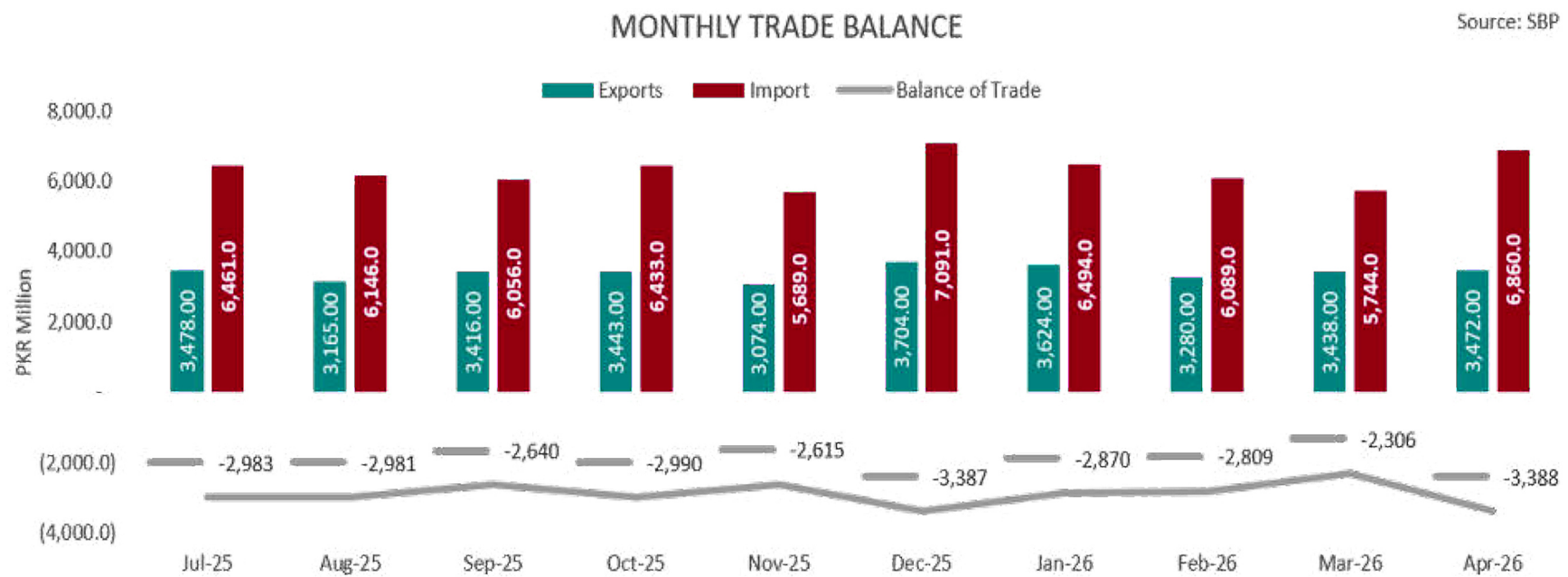
In FY2025–26, economic performance across South and East Asia remained varied. India led the region with robust GDP growth of 6.9%, supported by strong domestic consumption and investment. China growth fell to 4.6%, though weak domestic demand and global trade tensions continued to weigh on its pace. Bangladesh moderated to around 4% amid political transition and export pressures, while Sri Lanka sustained its post-crisis recovery at approximately 4% under IMF-supported fiscal consolidation. Pakistan recorded provisional growth of 3.7%, reflecting a gradual but fragile recovery backed by industrial improvement, easing inflation, and ongoing IMF program implementation.



## BALANCE OF PAYMENTS

Pakistan's external account witnessed a decline in the Current Account and recorded a meager surplus of US\$ 72 M during July-March FY 2026, compared to US\$ 1.7 B Surplus in the same period last year, significantly impacted by the substantial tariff increases by the United States and the conflict in the Middle East, leading to heightened volatility in energy markets. The primary income deficit narrowed by US\$ 364 million to US\$ 6.4 billion, mainly due to lower interest payments. On the external financing side, the financial account recorded a net inflow of US\$ 194 million, compared to a net outflow of US\$ 1.0 billion in the corresponding period last year, reflecting improved official inflows and financing conditions. The external position remained broadly stable, supported by strong workers' remittance inflows, lower primary income outflows, and improved financial account dynamics. Remittances grew by 8.2% during July–April FY2026



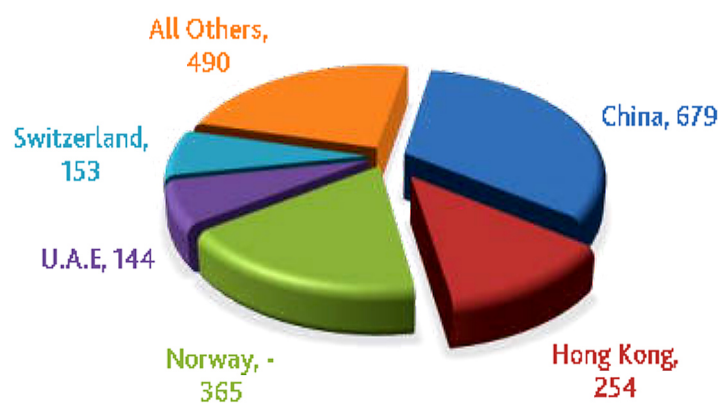


### FOREIGN DIRECT INVESTMENT (FDI):

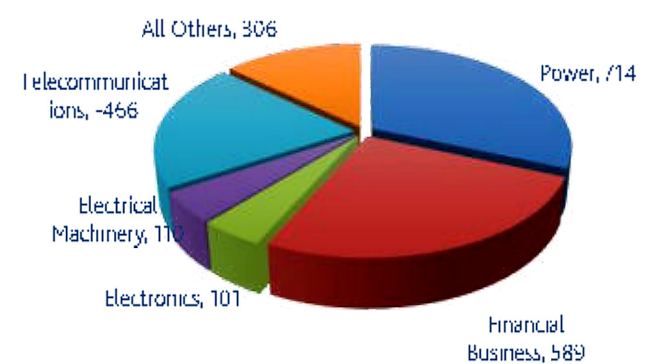
During July–April FY2026, Pakistan's net Foreign Direct Investment (FDI) declined by 26.3%, amounting to USD 1.4 billion, compared to USD 1.9 billion in the same period last year. This decrease was primarily attributed to notable capital outflows of one-off consolidation and divestment transaction in the telecommunication sector totaling USD 465.5 million around December 2025. Underlying FDI inflows remained concentrated in productive sectors, reflecting continued investor confidence in Pakistan's economy.

The power sector remained the largest recipient of foreign investment, attracting USD 714.2 million, while financial sector received USD 588.7 million, indicating strong investor interest. China remained the leading source of FDI with inflows of USD 678.6 million, followed by Hong Kong with inflows of USD 253.7 million and the United Arab Emirates by USD 143.9 million. Overall, despite a decline in FDI due to a one-off telecom-sector divestment, investment remained concentrated in the energy and financial sectors, supporting long-term economic growth. Continued reforms and macroeconomic stability are expected to improve investor confidence and attract higher FDI in the future.

**FOREIGN DIRECT INVESTMENT (FDI) - COUNTRYWISE  
FY26 (JULY-MAR)**



**FOREIGN DIRECT INVESTMENT (FDI) (USD Million)-  
SECTORWISE FY26 (JULY-MARCH)**



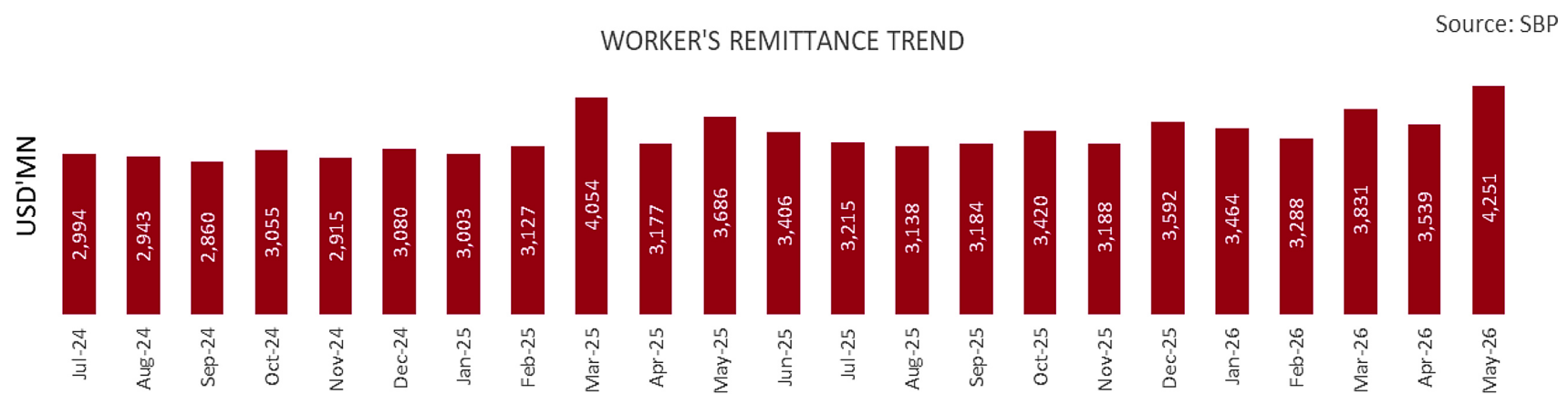
### SIFC

The Special Investment Facilitation Council (SIFC) was launched in FY23 to enhance foreign investment inflows, streamline investment processes, and contribute to Pakistan's long-term economic growth and development objectives. During FY26, the federal government decided to merge the Board of Investment (BOI) with SIFC, consolidating Pakistan's investment governance under a single platform to streamline FDI strategy and strengthen cooperation under the second phase of CPEC. Under the new structure, SIFC has been assigned a central role in promoting foreign investment, implementing investment policy and preparing a comprehensive roadmap covering Special Economic Zones, regulatory reforms, and investment facilitation. The merger also aligns with recommendations from the IMF's Governance and Corruption Diagnostic Assessment of November 2025, which called for greater public disclosure of SIFC decisions, concessions and beneficiaries. The second phase of CPEC itself marks a strategic shift from the earlier government-to-government infrastructure model toward business-to-business commercial collaboration, with several Chinese firms already expressing interest in Pakistan's Special Economic Zones.

On the sectoral front, SIFC revived exploration license issuance with new issues in Azad Jammu and Kashmir after nearly two-year suspension, while major projects like Reko Diq have undergone a slowdown. The sector is however, expected to show notable progress underpinned by transparent, investor-friendly policy reforms and the adoption of modern extraction technologies and digital registration systems. In agriculture, under the Green Pakistan Initiative, SIFC continued efforts to modernize Pakistan's agricultural sector during FY26, advancing the digitalization of farming through the LIMS Pakistan platform and modernizing irrigation across Punjab.

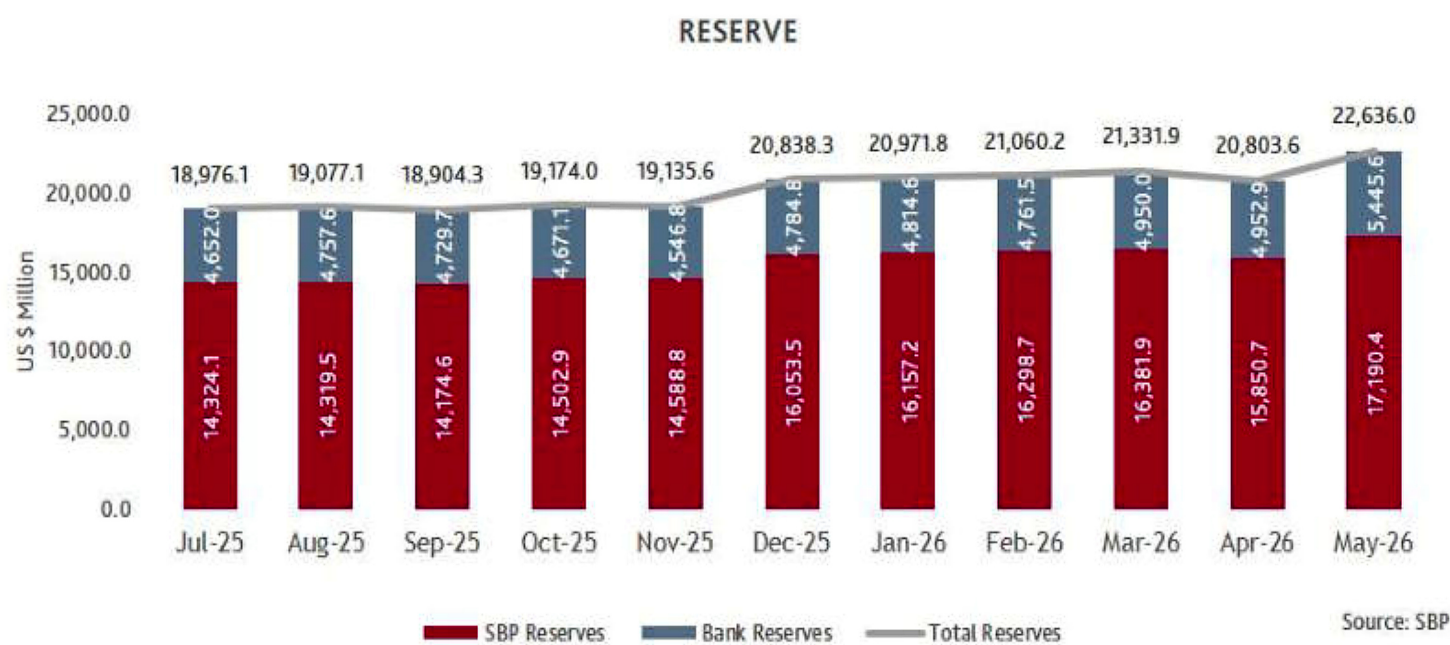
## WORKERS' REMITTANCE

As per the State Bank of Pakistan (SBP), workers' remittances surged to a monthly high of USD 4.3 B in May 2026, rising 15.4% YoY and 20.1% MoM. Cumulatively, remittances reached USD 38.1 B during Jul-May FY26, reflecting an increase of 9.2% compared to USD 34.9 B received during the corresponding period last year, driven by improved formal remittance channels, SBP policy facilitation and sustained diaspora engagement.



## FOREIGN RESERVES:

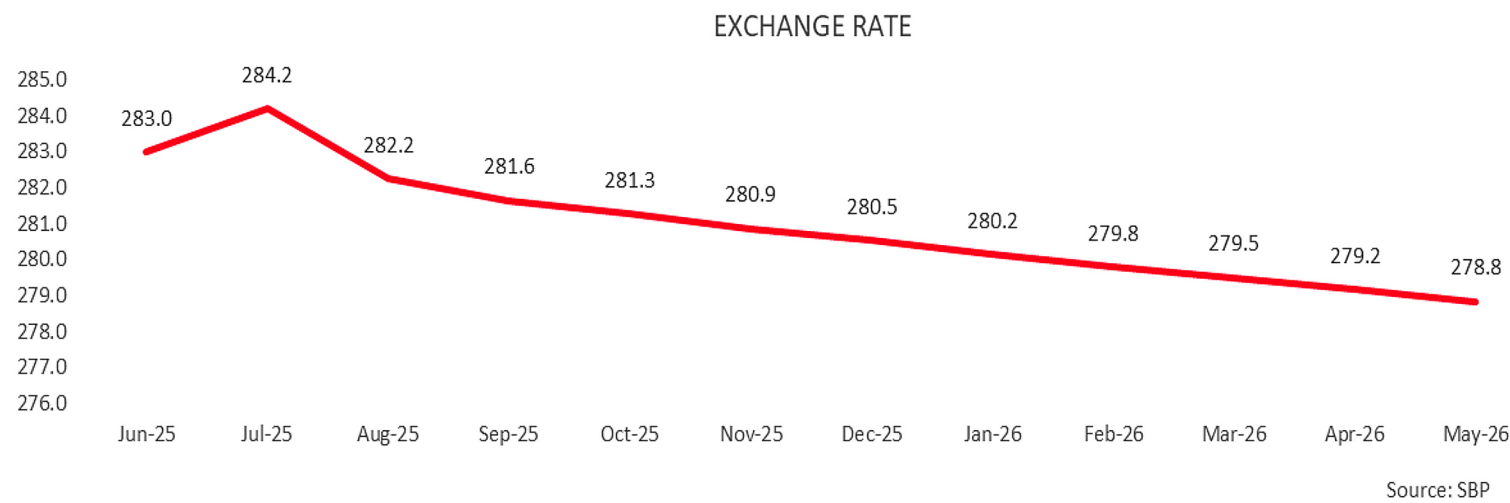
In July 2025, the State Bank of Pakistan (SBP) reported total liquid foreign exchange reserves of USD 18,976.1 M, with SBP-held reserves at USD 14,324.1 M and bank reserves at USD 4,652.0 M. Reserves generally improved in the following months, peaking in May 2026 at USD 22,636.0 M, including SBP reserves of USD 17,190.4 M and bank reserves of USD 5,445.6 M. This improvement, driven by IMF disbursements, Panda Bond proceeds, Saudi deposits, and broadened multilateral inflows, reflects a meaningful strengthening of Pakistan's external buffers, with import cover improving from 2.54 to 2.87 months, underscoring a more resilient external position relative to the start of the fiscal year.



## EXCHANGE RATE:

In FY 2026, the Pakistani Rupee (PKR) remained broadly stable against the US Dollar, appreciating from PKR 284.2 per USD in July 2025 to PKR 278.8 per USD by May 2026, reflecting a gain of approximately 1.9%. The exchange rate traded within a narrow range of PKR 278.8–284.2, indicating contained volatility compared to historical trends.



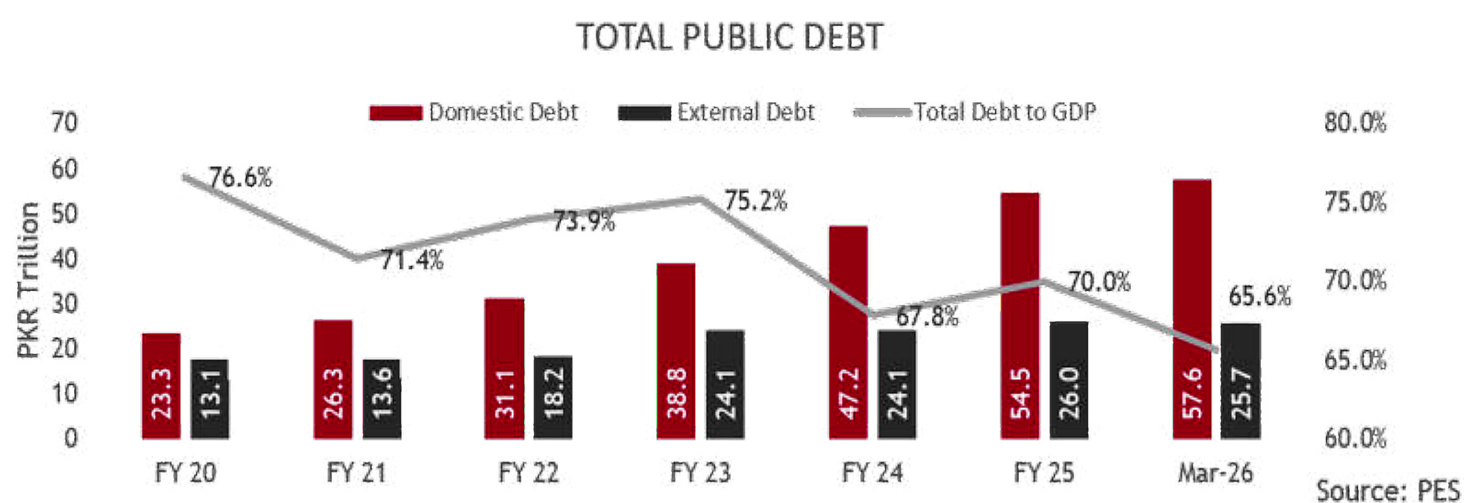


## PUBLIC DEBT:

As of end-March 2026, Pakistan's total public debt had risen to PKR 83.3 trillion, up from PKR 80.5 trillion a year earlier. Of this, domestic debt comprised PKR 57.6 trillion, while external debt stood at PKR 25.7 trillion. Unlike the previous fiscal year, when 12% of the fiscal deficit was financed through external sources, the FY2025 deficit was entirely funded through domestic borrowing. During July–March FY2026, Pakistan's fiscal deficit narrowed substantially to PKR 856.4 billion (0.7% of GDP) from PKR 2,970.0 billion (2.6% of GDP) in the corresponding period last year. The government prioritized, and the deficit was financed entirely through domestic borrowing, primarily via medium- and long-term instruments such as Pakistan Investment Bonds (PIBs) and Government Ijarah Sukuk.

The Government also started issuing 15-year zero-coupon PIBs this year and successfully raised Rs 263 billion through this instrument. During the first nine months of FY 2026, the Government successfully raised approximately Rs 2.25 trillion through Shariah-compliant Sukuk issuances.

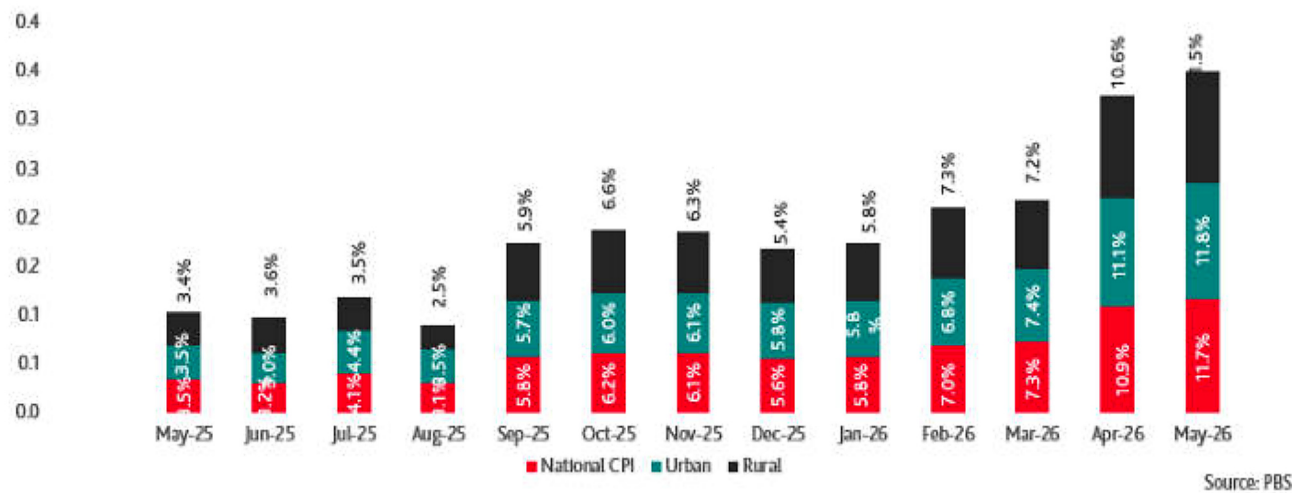
External budgetary disbursements were recorded at USD 6.1 billion, of which USD 2.7 billion was received from multilateral sources, US\$ 1.1 billion from bilateral development partners, USD 2.0 billion through Naya Pakistan Certificates, and USD 0.2 billion from commercial banks. The Government also received USD 1.2 billion tranche under the IMF's Extended Fund Facility (EFF). The Government continued its strategic Liability Management Operations (LMOs), conducting buybacks amounting to approximately Rs 2.1 trillion of government debt securities, thereby rationalizing debt servicing costs.



## INFLATION:

During the period July to May FY26, average national inflation stood at 6.7%, an increase from 4.7% recorded during the same period of the previous fiscal year. On a year-on-year basis, inflation rose sharply to 11.7% in May 2026, up from 10.9% in 2026; it was significantly higher than the 3.5% recorded in the prior year, May 2025. This marked the return to double-digit inflation in 21 months, breaching the government's annual inflation target of 7% for FY26, and driven primarily by increase in global oil prices due to middle east crisis, energy costs, transport prices, housing utilities, and a low base effect from the prior year.

#### CPI INFLATION



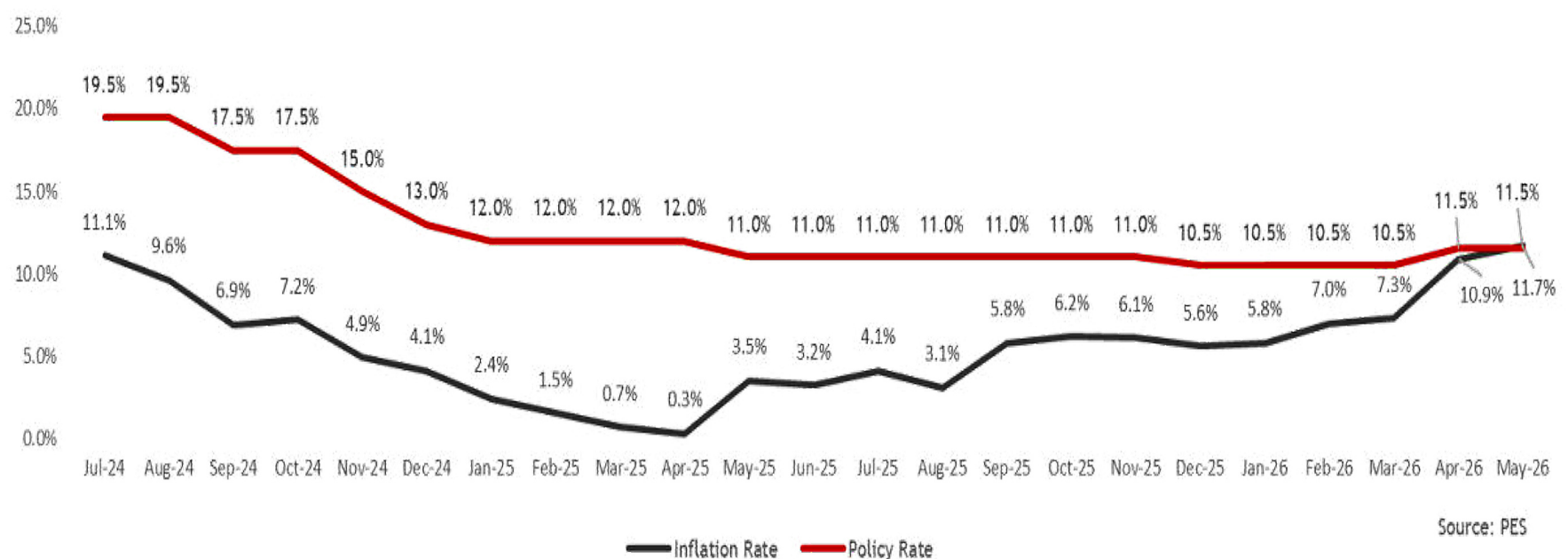
#### MONETARY POLICY:

The State Bank of Pakistan began FY26 with the policy rate at 11.0%, maintaining a cautious monetary stance following the earlier easing cycle. In December 2025, the Monetary Policy Committee (MPC) reduced the policy rate by 50 basis points to 10.5%, supported by easing inflationary pressures and improving macroeconomic conditions.

However, in April 2026, the central bank reversed part of this easing by increasing the policy rate by 100 basis points to 11.5%, as inflationary pressures resurfaced amid heightened global commodity and energy price volatility, contributing to imported inflation and external sector pressures. Average inflation remained within the target range of 5% to 7% during July to February FY26; however, it breached the upper limit of the range at 7% after February 2026. Inflationary risks intensified as the macroeconomic outlook became increasingly uncertain following the outbreak of war in the Middle East.

As a result, the policy rate stood at 11.5% by the end of the period. Overall, FY26 (July–May) reflected a two-phase monetary policy cycle: an initial easing phase followed by monetary tightening, as the central bank actively adjusted its stance in response to evolving macroeconomic conditions.

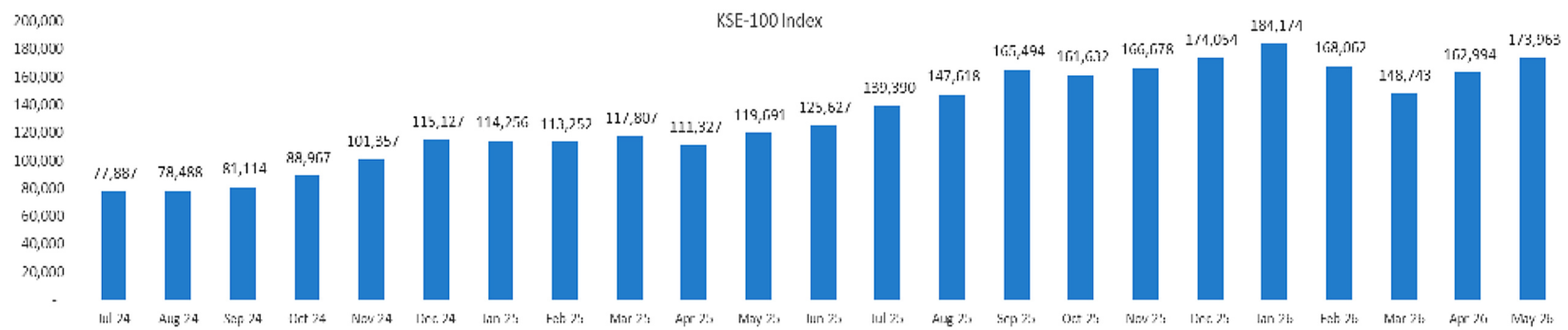
#### GLANCE AT INFLATION VS POLICY RATE



#### CAPITAL MARKETS:

During July–May FY 2026, the Pakistan Stock Exchange (PSX) demonstrated strong performance, with the benchmark KSE-100 Index rising from 128,199 points on 1 July 2025 to 173,963 points by the end of May 2026, reflecting a total appreciation of approximately 35.7%; the index maintained a broad upward trajectory from July 2025 through February 2026, driven by improving macroeconomic conditions, easing inflation, and strengthening investor confidence supported by continued progress under the IMF Extended Fund Facility (EFF), including successful reviews and tranche disbursements, which reinforced macroeconomic stability and sustained positive sentiment in the equity market, while from March to May 2026 the market experienced a period of correction and heightened volatility driven by profit-taking and short-term market adjustments; despite this volatility, market activity remained robust throughout the period, supported by healthy liquidity conditions and strong participation from both retail and institutional investors, while broader improvements in economic indicators and policy stability contributed to higher valuations and sustained interest in equities across key sectors, making FY 2026 (July–May) a period of strong equity market expansion driven by macroeconomic stabilization, improving fundamentals, and renewed investor confidence in Pakistan's financial markets.





## NOTABLE TRANSACTIONS:

The privatization programme (2024-2029) which introduced 3 phases in which 24 SOEs were set to be privatized commenced with the successful competitive bidding process in December 2025, when a consortium led by Arif Habib Limited emerged as the highest bidder for a 75 percent equity stake. This, coupled with the First Women Bank Limited (FWBL) transaction and the initiation of privatization of Zarai Taraqati Bank Ltd. (ZTBL) has renewed confidence in the programme.

The completion of the acquisition of 100% shares in Telenor Pakistan (Private) Limited and Orion Towers (Private) Limited by Pakistan Telecommunication Company Limited (PTCL), after regulatory approvals from the Competition Commission of Pakistan and the Pakistan Telecommunication Authority, is a bittersweet story where Ufone, post-merger with Telenor Pakistan forms Pakistan's second-largest mobile operator network while an international brand exits from the telecom market in Pakistan. Other notable transaction is Kot Addu Power Company Limited (KAPCO) and Fauji Cement Company Limited (FCCL) acquiring Attock Cement Pakistan Limited.

On the divestment front, the government has approved a plan for change of hands of its 30% stake in Pakistan National Shipping Corporation (PNSC) which includes transferring its management control to the National Logistics Corporation (NLC). The Economic Coordination Committee (ECC) has granted in principle approval for the transaction, which has led to the commencement of valuation, achieving regulatory clearances, and completion of other regulatory procedures. Under the approved structure, PNSC is expected to undergo restructuring in line with its divestment framework. The transaction remains subject to completion of procedural and legal requirements prior to final execution.

## ENERGY SECTOR REFORMS

Energy sector reforms during FY2025-26 focused on advancing transaction preparation for selected power distribution companies (DISCOs), including adviser appointment, due diligence, and phased structuring of privatization and alternative concession models. The reform agenda emphasized governance improvements, reduction of operational inefficiencies, and strengthening financial sustainability to support investor participation. No DISCO privatization was completed during the period, while implementation sequencing and timelines were revised across different batches of planned transactions in the power sector.

## IT SECTOR AND DIGITALIZATION:

Pakistan continued to advance its digital transformation agenda in FY25-26 through strong ICT export growth and accelerated technology reforms. ICT exports reached USD 3.38 billion during July-April FY26, reflecting a 19.7% year-on-year increase and reinforcing the sector's role as a key contributor to services exports.

## PERSPECTIVE OF ECONOMY

This outgoing fiscal year started with an expectation of macroeconomic stabilization and gradual recovery for Pakistan, underpinned by continued implementation of the IMF-supported reform program, easing inflation for most part, improved external balances, and a steady rebuilding of foreign exchange reserves. The economy demonstrated resilience in the face of persistent structural constraints and later geopolitical shocks, particularly the escalation of tensions in the Middle East, which added inflationary pressures through energy price volatility and heightened external uncertainty. This resilience resulted in improved investor sentiment, stronger capital market performance, sovereign credit rating upgrades, and enhanced access to diversified external financing channels, including multilateral inflows and international capital market issuances.

Domestically, the IT and digital services sector has stood out as one of the fastest-growing sectors, supported by rising exports based on business process outsourcing, freelancing, financial and other services, increased adoption of digital services, and structural shifts toward growth led by services sector. This continued expansion has enhanced the digital footprint in Pakistan, with technology-enabled services playing an increasingly important role in export earnings and employment generation. In a landmark move, the Government passed the Virtual Assets Act, 2026 and created the

Pakistan Virtual Assets Regulatory Authority (PVARA). Pakistan's adoption of AI and the investment in data centers have picked up pace however, securing dedicated power still remains a priority considering the rising costs of production and the slow pace of moving towards cost effective options.

Pakistan's image and standing on the international stage have improved significantly in recent years. The country is increasingly being recognized as an important stakeholder in regional diplomacy and decision-making, contributing constructively to discussions on key regional and international issues.

One of Pakistan's greatest strengths is its demographic dividend. With a large and growing young population, the country possesses a valuable resource capable of driving innovation, entrepreneurship, and productivity across multiple sectors. Investments in information technology, digital services, and skills development can unlock the immense potential of Pakistan's youth and serve as a major catalyst for long-term economic growth.

Improved law and order situation post-implementation of investment friendly measures has encouraged progress which has been visible through strengthened fiscal discipline and enhanced coordination between federal and provincial governments. Leveraging these developments and newly created opportunities, Pakistan has the opportunity to accelerate growth through greater investment and modernization in fisheries, mining, information technology, agriculture, and export-oriented industries.

Renewed Chinese interest in infrastructure development and industrial cooperation presents additional opportunities for economic expansion, together with increasing the adoption of alternative and renewable energy sources, which can reduce electricity costs, improve industrial competitiveness, and support sustainable development.

In the past year, after successful privatization of Pakistan International Airlines Corporation Limited and the ownership restructuring of PNSC, the program has gained momentum and with the anticipated privatization and restructuring of selected state-owned enterprises during 2026–2027 the proceeds could help reduce the fiscal burden on the national budget. Resources previously allocated to supporting loss-making entities may be directed toward critical areas such as infrastructure, healthcare, education, and human development.

Given Pakistan's growing population and rapid urbanization, it is essential to expand infrastructure, healthcare, and educational facilities through effective Public-Private Partnership (PPP) models. Such initiatives, which have gained traction, can improve service delivery while leveraging private-sector expertise and investment.

Pakistan's strategic alliances and economic partnerships with key neighbours present significant opportunities for mutual growth by means of enhanced trade activity, connectivity, energy cooperation, and investment flows.

To fully realize these opportunities, continued efforts to improve the ease of doing business, simplify regulations, reduce hurdles, and strengthen governance will be essential. These reforms can help attract both domestic and foreign investment, stimulate entrepreneurship, and promote sustainable economic development.

Pakistan possesses numerous growth drivers, including its talented youth, expanding service exports, strategic regional partnerships, a growing IT sector, infrastructure development opportunities, and the increasing adoption of affordable alternative energy sources. If the country continues on its present course of strengthening governance, maintaining economic discipline, improving security, investing in human capital, and pursuing forward-looking development policies under its current leadership, it is well-positioned to achieve sustained economic growth, greater prosperity, and an increasingly influential role in the regional and global economy. Pakistan's future holds immense promise, provided these reforms and development priorities remain firmly on track.

***Pakistan Zindabad.***



## HIGHLIGHTS

### Key Highlights of the Finance Bill 2026

- **Introduction of Faceless Assessments and Appeals**  
A new faceless tax administration framework has been proposed through the insertion of Sections 122E and 129A, enabling audits, assessments, rectifications, and appellate proceedings to be conducted electronically for specified taxpayers, income classes, or cases as determined by the FBR.
- **Establishment of National Faceless Centre**  
The FBR has been empowered to establish a National Faceless Centre to conduct tax proceedings through an algorithm-based system, with all communications and exchange of information to be carried out electronically.
- **Surcharge for salaries class of taxpayers drawing salaries above Rs.10 million is proposed to be abolished.**  
The Bill has proposed to abolish surcharge on salaried individual. This surcharge was introduced in Finance Act, 2024 where salaried individuals having taxable income exceeding Rs. 10 million were required to pay a surcharge at the rate of 9% of the income tax payable under Division I of Part I of the First Schedule, as against 10% applicable to other individuals and AOPs.

It is proposed to ease the income tax burden on salaried individuals by revising the existing tax slab structure. Under the proposed framework, the income threshold for the highest tax rate of 35% has been increased from Rs. 4.1 million to Rs. 7 million. Additionally, new intermediate tax brackets have been introduced to ensure a more gradual progression of tax rates, thereby reducing the overall tax liability for salaried taxpayers and minimizing the impact of moving into higher income categories.

#### Major Relief in Super Tax Regime

The Finance Bill 2026 proposes to increase the Super Tax applicability threshold from Rs. 150 million to Rs. 500 million, effectively exempting taxpayers with income between Rs. 150 million and Rs. 500 million from Super Tax. However, banks, oil & gas exploration companies, and fertilizer sector entities will continue to be subject to Super Tax at 10% where income exceeds Rs. 150 million.

- **Adjustable Tax on Digital Transactions**  
Tax collected on digital transactions conducted through e-commerce platforms under Section 6A shall be adjustable for taxpayers whose annual turnover exceeds PKR 200 million.

Following the Federal Constitutional Court's decision dated 7 May 2026, section 7E relating to taxation of deemed rental income from capital assets situated in Pakistan is proposed to be omitted.

- **Taxation of Life Insurance and Family Takaful Payouts**  
A new tax regime has been introduced for gains arising from life insurance policies and family takaful arrangements. Tax rates of 15% and 10% are proposed depending upon the holding period, with exemptions available in cases of death, disability, or payouts received after seven years.
- **Tax Credit for Digital Integration**  
Taxpayers required to integrate with the FBR's computerized system will be entitled to a tax credit equal to 10% of investment made in prescribed electronic resources.
- **Fair Market Value as Cost Base for Inherited Property**  
The cost of immovable property acquired through inheritance shall be deemed to be its fair market value on the date of death of the original owner.
- **Recognition of Family Settlement Arrangements**  
Transfer of immovable property through family settlement arrangements following the death of a person shall be treated as inheritance for tax purposes.
- **Limited Liability Partnerships Included in AOP Definition**  
Limited Liability Partnerships (LLPs) have been proposed to be included within the definition of an Association of Persons (AOP).
- **Taxability of Exempt LLP Income in the Hands of Members**  
Where an LLP's income is exempt from tax, distributions received by members in their capacity as members shall be taxable in their hands.
- **It is proposed that the companies shall be required to submit financial statements in electronically readable formats to facilitate automated processing and analysis.**
- **Independent Case Scrutiny Committee**  
Prior approval of an Independent Case Scrutiny Committee will be required before filing references, appeals, or review petitions before higher judicial forums.
- **Algorithmic Settlement Mechanism**  
Taxpayers will be able to settle tax liabilities through an algorithm-based settlement system by accepting a settlement offer and paying the prescribed amount before issuance of assessment proceedings.
- **Advance tax on exports at the rate of 1% is proposed to be abolished whereas minimum tax is proposed to be enhanced from 1% to 1.25%.**
- **Withholding Tax on earning from Social Media platforms**  
A new withholding tax mechanism has been introduced on revenues earned from social media platforms, to be collected through banking and financial institutions.



- **Exemption Certificates for Collective Investment Vehicles**  
Collective Investment Schemes, REIT Schemes, and Special Purpose Vehicles distributing at least 90% of their accounting income for the preceding three years will be eligible for exemption certificates covering the entire subsequent tax year.
- **Enhanced Financial Transaction Reporting**  
Banking companies and Electronic Money Institutions will be required to report account information where aggregate deposits or withdrawals exceed PKR 100 million during a reporting period.
- **Introduction of re-audit and revaluation powers**  
Commissioners will be empowered to order re-audits, inventory revaluations, and actuarial valuations where warranted by the nature and complexity of a taxpayer's affairs.
- **Increase in Penalties**  
Penalties relating to electronic integration, information reporting, filing obligations, and withholding tax compliance have been significantly enhanced.
- **Capital Value Tax on Foreign Assets**  
Capital Value Tax on foreign assets proposed to be abolished, eliminating the 1% tax currently applicable on foreign assets exceeding Rs. 100 million held by resident individuals.
- Income tax slab rates for salaried taxpayers are proposed to be re-arranged proposing relief to taxpayers subject to progressive tax rates.
- It is proposed to significantly reduce the advance tax rates on immovable property transactions. The advance tax on the sale or transfer of property, which currently ranges from 4.5% to 5.5%, is suggested to be lowered to a uniform rate of 2.75%. Likewise, the advance tax on the purchase of immovable property, presently between 1.5% and 2.5%, is proposed to be reduced to a flat 1.25%. In addition, the higher tax rates previously applied to late filers are also proposed to be abolished.
- Advance tax on foreign remittances outward made through debit, credit and prepaid cards is proposed to be reduced from 5% to 0.5%.
- The reduced tax rate of 0.25% for exporters of IT and IT-enabled services has been extended from 2026 up to the tax year 2029.
- It is proposed that the reduced withholding tax rate applicable to specified services be increased from 6% to 7%. Simultaneously, the general withholding tax rate on services is proposed to be reduced from 15% to 14%. However, this reduction will not apply to independent professional services. Accordingly, the existing withholding tax rate of 15% will continue to apply to professionals such as doctors, lawyers, architects, accountants, and independently practicing software engineers or developers.
- The reduced minimum tax rate for distributors, dealers, sub-dealers and wholesalers of specified sectors is proposed to be enhanced from 0.25% to 0.5%.

- An increase in the withholding tax rate on capital gains from the disposal of certain debt securities under Section 151A is proposed, raising it from 15% to 20%, which will result in a higher tax burden on such gains.

#### **PETROLEUM PRODUCTS (PETROLEUM LEVY AND CLIMATE SUPPORT LEVY) ORDINANCE, 1961**

- Definitions of "Company" and "Refinery" rationalized and aligned with the OGRA regulatory framework.
- New definitions of "Oil Marketing Company" and "OGRA" introduced.
- Payment of Petroleum Levy and Climate Support Levy made a mandatory condition of OGRA licenses.
- Late payment surcharge introduced for delayed payment of levies.
- New recovery mechanism introduced through the Income Tax Ordinance, 2001 for unpaid levies and surcharge.
- Commissioner Inland Revenue required to submit fortnightly recovery progress reports.
- Mandatory monthly reporting and annual audit certification introduced for levy payments.
- Recovery provisions extended to outstanding levy and surcharge amounts arising before Finance Act, 2026.
- Second Schedule (List of Companies) and Fourth Schedule (List of Refineries) omitted.

#### **SALES TAX ACT, 1990**

- Introduction of Advance Receipt Invoice for advance payments in a format to be prescribed by Board.
- Introduction of Electronic Invoicing System to promote digital issuance and recording of sales tax invoices.
- Introduction of Production Monitoring System for technology-based monitoring of production and sales.
- Establishment of a National Faceless Centre to facilitate faceless tax administration and reduce taxpayer interaction with tax officials.
- Introduction of an Algorithmic Settlement Mechanism for automated settlement of tax disputes.
- Overall focus on digitalization, automation, and technology-driven tax compliance and enforcement.
- The definition of Tier-I Retailer has been revised to primarily cover retailers with annual turnover exceeding Rs. 200 million.
- Goods will be considered supplied when they are ready for dispatch from the business premises.
- FBR has been empowered to use Pakistan Bureau of Statistics (PBS) values and third-party valuation services for imported goods to be prescribed by the Board.
- Sales tax on certain steel sector units will be collected based on electricity consumption, subject to adjustment upon integration with FBR's digital systems.
- Input tax adjustment limits may be increased or reduced based on compliance with digital systems such as e-invoicing, POS, e-bilty, and production monitoring by notification in the official Gazette.
- Debit and credit notes will be processed through an electronic mechanism prescribed by the Board.



- A faceless audit and assessment system has been introduced, including e-hearings, to enhance transparency and reduce physical interaction with tax authorities.
- Registration may be suspended or blacklisted for failure to integrate with FBR's electronic invoicing and monitoring systems.
- Sales tax invoices, including for exempt supplies, will require a verifiable and unique FBR invoice number.
- Commissioner may order re-audit of accounts or revaluation of inventory in complex cases, and issuance of an audit report has been made mandatory.
- Voluntary payment of detected tax shortfall has been made mandatory, while penalty after issuance of a show cause notice has been reduced by 50%.
- Introduction of Faceless Jurisdiction, enabling algorithm-based allocation and handling of tax proceedings through the National Faceless Centre.
- Establishment of Directorate General (Field Compliance) Inland Revenue for enhanced field enforcement and compliance monitoring.
- Creation of a National Faceless Centre for electronically managed audits, assessments, and other tax proceedings.
- Significant increase in penalties for late filing of returns, non-issuance of invoices, unauthorized invoices, and non-payment of sales tax.
- Daily default penalties have also been substantially increased to strengthen tax compliance.
- Penalty for non-registration increased from Rs. 10,000 to Rs. 50,000 or 5% of tax. Record-keeping penalty also raised to Rs. 50,000 or 5% of tax.
- For digital integration non-compliance, second penalty up to Rs. 5 million has been introduced and FBR has been empowered to seal premises immediately.
- Fake invoices now attract penalty equal to invoice value, blacklisting, and denial of input tax credit.
- Unmatched input tax is penalized at 20% plus reversal and surcharge; failure to reverse blacklisted ITC within 60 days also attracts 20% penalty.
- Goods without required tracking/tax stamps can be seized along with transport vehicles.
- Confiscated goods to be sold via auction and proceeds used to settle expenses of sales and then to pay sales tax and other taxes and lastly against any dues to the person from whom goods were confiscated.
- Faceless appeals system introduced for tax disputes.
- Algorithmic settlement mechanism introduced for automated tax settlement of cases.
- Independent case scrutiny committee required before filing appeals in higher courts.
- Expansion of Third Schedule to ensure payment of sales tax at consumer price by the manufacturers at manufacturing stage.
- Grant of exemption from sales tax on magazines.
- Extension in exemption on import of CKD for electric vehicles till 30.06.2027.
- Enhancement in scope of exemption on parts of aircrafts for import and lease by M/s PIACL.

- Withdrawal of exemption of sales tax on family planning devices.
- Exemption of sales tax to boost strategic investment in shipping.
- Exemption to strategic imports of bullet proof vehicles by Federal Government for Shanghai Cooperation Organization summit, subject to certain conditions and prior approvals.
- Exemption to strategic imports of bullet proof vehicles by Federal and Provincial Governments for threat of terrorism, subject to prior approvals.
- Exemption of sales tax on import of capital goods for upgradation and overhaul of existing refineries.
- Extension in date of sunset for electric vehicles till 30.06.2027 under the Eight Schedule.
- Broadening the category of withholding agents so as to include both Association of Persons and Individuals alongside companies withholding sales from unregistered persons.
- Imposition/recovery of 3% Value Added Tax through proviso under Twelfth Schedule from the manufacturers if the imported raw material is sold in same state.

#### CUSTOMS ACT, 1969

- This bill proposed Introduces a new clause (ssssa) to define "State Warehouse" for clearer legal interpretation.
- This bill has proposed to introduce new sub-section (6) of Section 179 which provides for faceless adjudication and virtual proceedings to improve transparency, efficiency, and faster disposal of the cases.
- This bill proposed seeks to amend S.No.7A to section 156(1) to increase penalty on terminal operators for ignoring delay/detention certificates from PKR 500,000 to PKR 10,000,000.
- This bill proposes to insert a new section 196JJ to empowers a case scrutiny committee to decide whether appeals should be filed in court.
- This bill has proposed to amend sub-section (3A) of section 32 to remove a legal lacuna whereby no mis-declaration case can be framed in multiple declarations up to Rupees one hundred thousand.
- This bill has proposed to amend section 80 to provide legal cover to non-intrusive examination i.e. "scanning".
- This bill has proposed to insert a new sub-section (6) to section 185A which allows freezing of property during trial if accused is suspected of illegal financial transfers.
- This bill has proposed to introduce a new S.No. 62A in Section 156 (1) penalty for illegal removal of goods from State Warehouses for strengthening enforcement and anti-smuggling controls.
- This bill has proposed to amend section 82 to streamline the imposition of penalty on late filing of GD and late removal of goods from ports after clearance.
- This bill has proposed to amend section 157(2) to add Explanation of the word "removal" that it includes all types of illegal movement of smuggled goods.

- This bill seeks to amend section 170 to require any authority to hand over the goods liable for confiscation to Customs, without waiting for conclusion of the proceedings of case.
- This bill has proposed to amend section 215 to provide legal cover to also publish legal Notices/Orders in newspapers where respondent is not traceable.
- This bill has proposed to amend and substitute First and Fifth Schedule by that provided in the Finance Bill, 2026.

#### **WEST PAKISTAN MOTOR VEHICLES TAXATION ACT, 1958**

- Token tax rates for motor vehicles in ICT proposed to be revised.
- Token tax for vehicles above 1000cc proposed to be linked with invoice value (0.25%–0.35%).
- Tax rates for motor cabs revised across all engine capacity categories.
- Annual tax on public service vehicles revised on a per-seat basis.
- Tax rates for commercial and loading vehicles revised based on laden capacity.
- Tax rates for heavy commercial vehicles and trailers increased.
- Annual tax on tractors (with and without trolley) proposed at Rs. 2,600.
- Amendments aimed at updating and rationalizing the motor vehicle taxation regime in ICT.

#### **FEDERAL EXCISE ACT, 2005**

- Insertion of new definition of algorithmic settlement mechanism, electronic invoicing system, national faceless centre and production monitoring system.
- Levy of Special Excise Duty on luxury imported vehicles listed in Table-IA of the First Schedule to the Act.
- Introduction of a new concept of faceless audit and assessment by the National Faceless Centre.
- Revised mechanism for issuance of invoice and advance receipt invoice bearing a verifiable and unique FBR invoice number for dutiable and zero-rated supply of goods.
- Penalty and punishment with imprisonment or both identified for person who destroys, damages, erases or otherwise manipulates data stored in or used in connection with a computer, equipment or system used for the electronic monitoring of production without approval of the Commissioner.
- Seizure and confiscation of counterfeited cigarette and beverages and other goods in case such goods are required to be monitored through a production monitoring system but are manufactured, produced, transported, removed without such monitoring in the prescribed manner.
- Establishment of Independent Case Scrutiny Committee for approval of filing of reference in High Court, Supreme Court of Pakistan, Federal Constitutional Court.
- Broadening the scope of monitoring or tracking by electronic or other means so to include services within its ambit.
- Broadening the scope of audit by empowering the Commissioner to exercise judgment to have the accounts re-audited and inventory re-valued after approval of the Chief Commissioner.

- FED on Acetate Tow reduced from Rs. 44,000/kg to Rs. 10,000/kg.
- FED on e-liquids increased from Rs. 10,000/kg to Rs. 16,500/kg.
- FED exemption for electric vehicles (4-wheelers) extended till June 30, 2027.
- New FED imposed on high-value imported electric vehicles at 30% and 40%.
- Exemption expanded to cover certain hydration and electrolyte beverages.
- Lubricating oils and base oils brought within the FED regime.
- FED of Rs. 80/litter imposed on Petroleum Top Naphtha, White Spirit (MTT), and Solvent Oil.
- Restriction strengthened on pricing of cigarette brand variants.
- FED of 40% and 41% introduced on specified imported vehicles exceeding 2,000cc.
- FED on premium-class international air tickets significantly reduced.
- Certain petroleum products brought under tax mode, allowing FED and sales tax adjustments.
- Conditional FED exemption introduced for vehicles imported for SCO Summit logistics and security purposes, subject to prior approvals.



## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

### 133A

### Independent case scrutiny committee

The Bill proposes to insert a new section 133A to establish an Independent Case Scrutiny Committee for reviewing departmental litigation before higher judicial forums. Under the proposed framework, no reference to the High Court under section 133, or appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan, may be filed by the Commissioner Inland Revenue unless it has first been approved by the Committee.

The proposed Committee is intended to serve as an independent filter for tax litigation and is expected to bring greater objectivity and legal scrutiny to decisions relating to the filing of departmental appeals. The Board may constitute one or more committees and assign to them cases or classes of cases decided by the Appellate Tribunal Inland Revenue or the High Court.

To ensure independence and legal expertise, the Committee shall comprise a retired judge of the Supreme Court, Federal Constitutional Court, or a High Court as Chairman, an experienced tax and commercial litigation advocate with at least fifteen years' standing, and a senior serving or retired FBR officer of BS-20 or above. The powers, functions, procedures, and remuneration of the Committee shall be prescribed by the Board.

Importantly, the recommendations of the Committee shall be binding on the Commissioner Inland Revenue, thereby restricting the initiation of further departmental litigation without independent approval. The Bill also grants statutory protection to the members of the Committee and the concerned Commissioner against legal proceedings arising from decisions made under this section.

The proposed amendment represents a significant shift in the management of tax litigation by introducing an independent review mechanism aimed at discouraging unnecessary appeals, improving the quality of cases pursued before superior courts, reducing avoidable litigation, and ensuring that judicial resources are devoted to matters involving substantial questions of law and genuine revenue significance.

### 134A

The Bill has proposed to amend section 134A by introducing provisions to address practical issues arising during the functioning of an Alternative Dispute Resolution (ADR) Committee.

Firstly, a new sub-section (10A) is proposed to be inserted to empower an ADR Committee to rectify any mistake apparent from the record, either on its own motion or upon an application by the taxpayer or the Commissioner, within thirty days of the receipt of its decision. Significantly, this power shall remain available notwithstanding the dissolution of the Committee, thereby enabling correction of inadvertent errors without requiring fresh proceedings.

Secondly, the Bill proposes to provide a mechanism for continuity of ADR proceedings where a member of the Committee becomes unavailable or is unable to perform his functions. In such cases, the Chairman of the Board shall appoint a replacement member within fifteen days, and the reconstituted Committee shall continue the proceedings under the same terms and conditions applicable to the original Committee.

To ensure that the effectiveness of the ADR process is not compromised due to reconstitution, the Bill further provides an additional period of sixty days for the reconstituted Committee to conclude the proceedings. However, the total period available to the Committee, including the time already consumed before reconstitution, shall not be less than ninety days from the date of its original constitution.

The proposed amendments are intended to enhance the operational efficiency and continuity of the ADR framework by addressing procedural gaps relating to rectification of errors and replacement of committee members, thereby reducing the risk of delays and disruption in dispute resolution proceedings.

## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

### 2(1AA)

### **Algorithmic settlement mechanism:**

The Bill has proposed to insert a new term "algorithmic settlement mechanism" which has been defined and provided in new inserted section 134B to the Ordinance. Through this mechanism the taxpayers will be able to settle tax liabilities at any stage before any assessment or amendment of assessment order under section 121, 122 or 122E of this Ordinance through revision of return under sub-section (6) of section 114 in certain cases.

### 2(5)

### **Faceless assessment**

The Bill has proposed to insert a new faceless tax administration framework "faceless assessment" which has defined and provided in new inserted section 122E. This framework will enable audits, assessments, rectifications, and appellate proceedings to be conducted electronically for specified taxpayers, income classes, or cases as determined by the FBR.

### 2(6A)

### **Authorized shipping agent**

The Bill has proposed to insert a definition of "authorized shipping agent" which means the person in Pakistan acting on behalf of a non-resident ship owner, charterer, or operator. The definition covers persons responsible for the collection, control, accounting, documentation, and reporting of freight relating to a vessel or voyage, and who furnish the return under section 143.

The amendment further clarifies that such authorised shipping agent shall be treated as the representative of the non-resident under section 172 and shall be jointly and severally liable for all tax obligations, assessments, proceedings, and recovery relating to the relevant vessel or voyage. This aims to strengthen accountability and facilitate tax enforcement in respect of non-resident shipping operations.

### 2(19DA)

### **Electronically readable format**

The Bill has proposed to insert a definition of "electronically readable format" means any digital format in which data is structured in a manner that allows it to be automatically read, extracted, validated, and processed by computer systems without human intervention. The definition includes formats such as CSV, XLSX, XML, XBRL, and JSON, while excluding formats primarily intended for human readability, such as PDFs, scanned images, and photographs.

The proposed definition is aimed at facilitating digital compliance, automated data processing, and efficient exchange of information between taxpayers and the Federal Board of Revenue "FBR".

### 2(30D)

### **Licensed Integrator**

The Bill has proposed to insert a definition of "Licensed Integrator" as defined in clause (15A) of section 2 of the Sales Tax Act 1990.

"licensed integrator" means any person licensed by the Board to provide electronic invoicing system for integration of registered persons in the prescribed manner"

### 2(35(1A)

### **National Faceless Centre**

The Bill has proposed to introduce the term "National Faceless Center" which has been defined in new inserted section 227D of the Ordinance. This section empowers the Board to establish a National Faceless Centre to conduct tax proceedings through an algorithm-based system, with all communications and exchange of information to be carried out electronically.

### 2(42AA)

### **PRALL**

The Bill has proposed to insert a new definition of "PRAL" which means Pakistan Revenue Automation (Pvt) Limited, a State Owned Enterprise which has been assigned functions related to software development and maintenance of the Board's IT infrastructure.



## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

### 4AB

### Withdrawal of Surcharge on salaried individual

The Bill has proposed to abolish surcharge on salaried individual. This surcharge was introduced in the Finance Act, 2024 where salaried individuals having taxable income exceeding Rs. 10 million were required to pay a surcharge at the rate of 9% of the income tax payable under Division I of Part I of the First Schedule, as against 10% applicable to other individuals and AOPs.

### 4C

### Super tax on high earning persons

The Bill has proposed to increase the income threshold for the applicability of Super Tax under section 4C of the Income Tax Ordinance, 2001 from Rs. 150 million to Rs. 500 million. Consequently, only persons having income of Rs. 500 million or more shall be subject to Super Tax under the provisions of section 4C.

The proposed amendment is intended to provide relief to persons falling within the existing income brackets of Rs. 150 million to Rs. 500 million, while continuing to subject higher-income persons to Super Tax at the applicable rate of 8%.

The below mentioned persons shall continue to be liable to Super tax at the rate of 10% in cases where prescribed income exceeds Rs. 150 million. In case of Oil and Gas Exploration Companies, the rate of super tax shall not exceed the limits prescribed in Rule 4 of the Fifth Schedule.

- (a) Banking companies;
- (b) Oil and Gas Exploration Companies; and
- (c) Income of a person engaged in deriving income from sale of any kind of fertilizer

### 6A

### Tax on payments for digital transactions in e-commerce platforms

Section 6A was inserted through the Finance Act, 2025 whereby tax was imposed on receipts derived from the supply of digitally ordered goods or services at the rates specified in Division IVA of Part I of the First Schedule. It was further clarified through Circular No. 01 of 2025-26 dated August 2, 2025 that the tax collected under section 6A shall constitute a final tax.

The Bill has proposed to insert a new sub-section (3) in section 6A to provide that, notwithstanding the provisions of section 8, the tax imposed under this section shall be adjustable where the turnover of a person exceeds Rs. 200 million in a tax year.

### 7E

### Tax on deemed income.

Section 7E was introduced through the Finance Act, 2022, whereby tax was imposed on deemed income attributable to certain immovable properties. The constitutional validity of this provision was challenged through numerous petitions before various High Courts and the Supreme Court of Pakistan. Subsequently, the matter was adjudicated by the Federal Constitutional Court of Pakistan (FCCP), which, through its short order dated May 7, 2026, declared section 7E to be ultra vires to the Constitution. Consequently, the Bill proposes to omit section 7E from the Ordinance.

It would have been preferred if the amendments were also made for enabling the refund of this tax already paid by various taxpayers.

### 7G & 151B

### Tax on certain payments by life insurance business

A new tax regime has been proposed for amounts received from life insurance policies and family takaful arrangements. Tax shall be imposed on the excess of payout over premiums or contributions paid by the policyholder. The proposed rate is 15% where the payout is received within one year of issuance of the policy and 10% where the payout is received after one year but before completion of seven years. The tax shall not apply in cases of death, disability or where the payout is received after completion of seven years. The tax shall constitute final tax on such income.

## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

21 (r)

The Bill has proposed to substitute clause (r) of section 21. Under the existing provisions, expenditure attributable to sales is disallowed where a person required to integrate with the Board through approved fiscal electronic devices and software fails to do so, subject to a maximum disallowance of 8% of the allowable deduction. The proposed amendment broadens the scope of the provision by covering persons who fail to install an electronic resource or operate as an integrated enterprise as required under the law. It further provides that up to 5% of the expenditure claimed by such persons shall be disallowed, in the prescribed manner and procedure. Accordingly, the amendment reduces the maximum disallowance from 8% to 5% while aligning the provision with the expanded integration framework.

53A

### **Rationalization of rates of withholding taxes in the nature of minimum tax**

The Bill has proposed to insert a new section 53A empowering the Federal Government to reduce the rate of withholding taxes that are in the nature of minimum tax, as prescribed in the First Schedule, up to 1% on the basis of economic viability for specified persons or classes of persons. However, the power shall not extend to minimum tax chargeable under section 113. The proposed section further requires the Federal Government to place before the National Assembly all amendments made to such withholding tax rates during a financial year. This amendment is intended to provide flexibility in rationalizing minimum tax withholding rates while ensuring parliamentary oversight.

64D

### **Tax credit for integration**

Section 64D was inserted through the Finance Act, 2021 to provide a tax credit in respect of investment made in the purchase of point of sale (POS) machines by persons required to integrate with the Board's computerized system for real-time reporting of sales or receipts. The credit was limited to the lower of the actual investment made or Rs. 150,000 per machine.

The Bill has proposed to substantially broaden the scope of section 64D by extending the tax credit to expenditure incurred on the purchase, acquisition, installation, or implementation of equipment, hardware, software, and other electronic components directly and exclusively used for integration with the Board's computerized systems, including real-time production monitoring and reporting of sales or receipts under the Income Tax Ordinance, 2001, the Sales Tax Act, 1990, and the Federal Excise Act, 2005.

The proposed tax credit shall be available at 10% of the amount invested in such electronic resources in the tax year in which they are installed, integrated, and configured with the Board's system. However, the credit shall not be available in respect of operation and maintenance expenses and may only be claimed against tax payable under Division I or Division II of Part I of the First Schedule. The Board has also been empowered to prescribe conditions, limitations, and restrictions for availing the credit.

76(8A)

### **Determination of cost of inherited immovable property**

A new sub-section has been proposed to be inserted which provides that the cost of immovable property acquired through inheritance shall be the fair market value of the property on the date of death of the original owner.

79(1)(b)

### **Tax treatment of family settlements after death**

An explanation has been inserted after sub-section (1) wherein it has been clarified that transmission of immovable property through family settlement arrangements consequent upon the death of a person shall be treated as transmission by inheritance.

80

The concept of LLP was introduced in 2017 through a special law, however, in the absence of any corresponding amendments in the Income Tax Ordinance there was confusion as to whether the same would constitute an AOP or a Company for income tax purposes. In line with international practice, an amendment is now proposed to include LLP within the ambit of AOP.



## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

### 92(4A)

### Income from Limited Liability Partnership

The income of LLP would now be taxed in the hands of AOP, and its members would be exempt from tax on their respective profit. However, where the income of a Limited Liability Partnership is exempt from tax, amounts received by members in their capacity as members shall be taxable in their hands.

### 100B(3)

### Expansion of scope and realignment of NCCPL's Role for specific sectors

Section 100B currently establishes a structured, NCCPL driven capital gains tax regime for listed securities; however, its scope is presently not applicable to NBFCs, Modarabas, and companies (in respect of capital gains on listed debt securities only).

Through a proposed amendment, capital gains on listed securities derived by banking company, insurance company and mutual funds will now be subject to the NCCPL regime as per the mechanism prescribed under section 37A, however, these entities shall continue to deposit tax on amount of capital gain as per the applicable provisions of this Ordinance.

### 114(2A)

The Bill has proposed to substitute the sub-section 2A which is reproduced as below:

(2A) A return of income shall be filed electronically on IRIS as may be prescribed by the Board for the purpose of sub section (1) and sub-section (1A) of this section and the Board may, by notification in the official Gazette, make rules for such filing and determine the process of verification, digital signatures and other matters relating to electronic filing of returns, statements or documents, etc.:

Provided that in case of companies for tax year, 2026 and onwards the financial statements accompanying the return shall only be filed in electronically readable file format.

### 114(6B)

The Bill has proposed to insert a new sub-section (6B) which provides that the taxpayers who opt for a settlement offered through the algorithmic settlement mechanism. Under the proposed provision, such taxpayers may file a revised return without obtaining prior approval of the Commissioner.

The taxpayer shall be required to pay the tax amount determined under the algorithm mechanism, and no separate penalty or default surcharge shall be leviable. The revised return shall be accompanied by the prescribed documents and shall be treated as a revised return filed under section 114.

### 122E

### Faceless audit and assessment

The Bill has proposed to insert a new section 122E to introduce a faceless audit and assessment framework under the Income Tax Ordinance, 2001. The proposed provision empowers the Board to conduct audits under sections 177 and 214C, proceedings under section 111, assessments under Part V of the Ordinance, and rectification proceedings under section 221 through a technology-driven faceless mechanism.

Under the proposed regime, the Board may specify the persons, classes of persons, incomes, or cases to which the faceless framework shall apply. The objective appears to be the digitization and centralization of tax proceedings, reducing direct interaction between taxpayers and tax officials and promoting greater efficiency, transparency, consistency, and accountability in tax administration.

The Bill further provides that audits conducted under the faceless regime shall continue to be governed by the provisions of section 177. However, where an opportunity of being heard is required to be afforded, or a statement under oath is to be recorded under section 176, the same shall be conducted through an electronic hearing mechanism under section 227E. Notably, the identity of the officer conducting such proceedings, including facial and voice identity, shall remain confidential.

## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

### 129A

### Faceless appeals

The Bill has proposed to insert a new section 129A to introduce a faceless appellate mechanism for appeals filed before the Commissioner (Appeals) under section 127 of the Ordinance. Under the proposed provision, appeals may be processed through a National Faceless Centre, to be established and operated in the manner prescribed by the Board.

The proposed amendment forms part of a broader transition towards a technology-driven tax administration framework, complementing the newly proposed faceless audit and assessment regime. By centralizing the appellate process through a national platform, the amendment seeks to minimize physical interface between taxpayers and tax authorities, and promote uniformity in decision-making.

The Bill has further proposed that the existing provisions governing appeals, including sections 127, 128, and 129, shall continue to apply to faceless appeals. Accordingly, while the mode of processing appeals is proposed to change, the substantive appellate rights, procedures, and legal safeguards available to taxpayers remain intact.

The introduction of a National Faceless Centre represents a significant structural reform in Pakistan's tax dispute resolution framework, signaling a shift from location-based appellate proceedings towards a centralized, digitally administered appellate system aimed at enhancing efficiency, transparency, and consistency in adjudication.

### 133A

### Independent case scrutiny committee

The Bill proposes to insert a new section 133A to establish an Independent Case Scrutiny Committee for reviewing departmental litigation before higher judicial forums. Under the proposed framework, no reference to the High Court under section 133, or appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan, may be filed by the Commissioner Inland Revenue unless it has first been approved by the Committee.

The proposed Committee is intended to serve as an independent filter for tax litigation and is expected to bring greater objectivity and legal scrutiny to decisions relating to the filing of departmental appeals. The Board may constitute one or more committees and assign to them cases or classes of cases decided by the Appellate Tribunal Inland Revenue or the High Court.

To ensure independence and legal expertise, the Committee shall comprise a retired judge of the Supreme Court, Federal Constitutional Court, or a High Court as Chairman, an experienced tax and commercial litigation advocate with at least fifteen years' standing, and a senior serving or retired FBR officer of BS-20 or above. The powers, functions, procedures, and remuneration of the Committee shall be prescribed by the Board.

Importantly, the recommendations of the Committee shall be binding on the Commissioner Inland Revenue, thereby restricting the initiation of further departmental litigation without independent approval. The Bill also grants statutory protection to the members of the Committee and the concerned Commissioner against legal proceedings arising from decisions made under this section.

The proposed amendment represents a significant shift in the management of tax litigation by introducing an independent review mechanism aimed at discouraging unnecessary appeals, improving the quality of cases pursued before superior courts, reducing avoidable litigation, and ensuring that judicial resources are devoted to matters involving substantial questions of law and genuine revenue significance.



## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

### 134A

The Bill has proposed to amend section 134A by introducing provisions to address practical issues arising during the functioning of an Alternative Dispute Resolution (ADR) Committee.

Firstly, a new sub-section (10A) is proposed to be inserted to empower an ADR Committee to rectify any mistake apparent from the record, either on its own motion or upon an application by the taxpayer or the Commissioner, within thirty days of the receipt of its decision. Significantly, this power shall remain available notwithstanding the dissolution of the Committee, thereby enabling correction of inadvertent errors without requiring fresh proceedings.

Secondly, the Bill proposes to provide a mechanism for continuity of ADR proceedings where a member of the Committee becomes unavailable or is unable to perform his functions. In such cases, the Chairman of the Board shall appoint a replacement member within fifteen days, and the reconstituted Committee shall continue the proceedings under the same terms and conditions applicable to the original Committee.

To ensure that the effectiveness of the ADR process is not compromised due to reconstitution, the Bill further provides an additional period of sixty days for the reconstituted Committee to conclude the proceedings. However, the total period available to the Committee, including the time already consumed before reconstitution, shall not be less than ninety days from the date of its original constitution.

The proposed amendments are intended to enhance the operational efficiency and continuity of the ADR framework by addressing procedural gaps relating to rectification of errors and replacement of committee members, thereby reducing the risk of delays and disruption in dispute resolution proceedings.

### 134B

#### Algorithmic Settlement Mechanism

The Bill has proposed to insert a new section 134B introducing an Algorithmic Settlement Mechanism, marking a fundamental shift towards technology-driven tax administration and dispute resolution. The proposed provision empowers the Board to establish a digitally operated system capable of offering taxpayers an automated settlement of tax discrepancies at any stage before the issuance of an assessment or amended assessment order under sections 121, 122, or 122E.

Under the proposed framework, the system may generate a settlement offer for voluntary revision of a return based on pre-defined risk parameters and objective criteria, including the taxpayer's compliance history, the nature of the discrepancy, the stage of proceedings, and other factors considered relevant by the Board. The mechanism is designed to facilitate early resolution of disputes through data-driven assessment of tax risks rather than conventional audit and adjudication processes.

Where a taxpayer chooses to avail the settlement offer, he shall be required to accept the offer electronically through IRIS, deposit the prescribed settlement amount, and file a revised return within ten days. Upon fulfilment of these requirements, the issues identified through audit selection, proceedings under section 111, audit reports, or amendment proceedings shall stand settled and abated to the extent covered by the offer.

Importantly, acceptance of a settlement offer shall not preclude the tax authorities from pursuing any other issue, discrepancy, or tax year not specifically covered by the settlement. Accordingly, the mechanism is intended to provide a targeted resolution of identified disputes rather than a comprehensive closure of the taxpayer's affairs.

The introduction of the Algorithmic Settlement Mechanism represents one of the most significant digital reforms proposed under the Bill. It reflects a transition from traditional, officer-driven dispute resolution towards a data-centric compliance model, enabling the tax administration to resolve selected cases swiftly, reduce litigation, improve revenue collection, and encourage voluntary compliance through objective and technology-based settlement of tax disputes.

## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

### 143(1)/(1A)/(1B)

The Bill has proposed to amend section 143 to align the return filing requirements with the newly introduced concept of an authorised shipping agent. Accordingly, the obligation to furnish a return under section 143 may be discharged either by the master of the ship or by the authorised shipping agent acting on behalf of the non-resident ship owner, charterer, or operator.

The Bill further proposes to insert new sub-sections (1A) and (1B) to clarify that only one return shall be furnished for each vessel or voyage, covering the total freight and all related amounts attributable to that vessel or voyage. It is also proposed to designate the master of the ship or the authorised shipping agent responsible for manifest filing and freight handling as the sole person authorized to furnish such return.

The proposed amendments seek to eliminate multiple or fragmented filings in respect of the same vessel or voyage, clearly identify the person responsible for compliance, and strengthen accountability in the taxation of non-resident shipping operations.

### 147(6C)

The Bill has proposed to omit sub-section (6C) of section 147.

Exporters are currently subject to minimum tax @ 1% on their export proceeds. Further, they are liable to pay advance tax of 1% of export proceeds as advance tax. The Bill has proposed to abolish the advance tax of 1%, whereas, the minimum tax on export proceeds is proposed to be increased from 1% to 1.25%. Accordingly, exporters will no longer be required to pay the additional 1% advance tax, but their minimum tax liability on export proceeds will increase to 1.25%.

The rate of withholding tax applicable on indirect exporters is also enhanced from 1% to 1.25%.

### 154B

#### **Withholding tax on revenues received from social media platforms**

The Bill has proposed to insert a new section 154B to bring revenues earned from social media and digital content creation within the withholding tax regime. Under the proposed provision, banking and non-banking financial institutions shall be required to deduct tax at the prescribed rate at the time of credit or receipt of amounts representing revenues received from social media platforms.

The proposed section introduces, for the first time, statutory definitions of "digital content creator" and "social media influencer", covering individuals and entities deriving income from the creation, publication, or monetization of content through digital platforms such as YouTube, Facebook, Instagram, TikTok, and similar platforms. The scope of the provision extends to inward remittances, transfers, and credits received through banking channels, including payments routed through online payment service providers and digital financial platforms.

The tax deducted under the proposed section shall constitute a minimum tax in the case of resident persons, while it shall be treated as a final tax for non-resident persons not having a permanent establishment in Pakistan.

The proposed amendment reflects the growing significance of the digital and creator economy and seeks to establish a formal mechanism for documentation and taxation of income earned through online platforms. By placing withholding obligations on financial institutions, the Bill aims to enhance visibility of digital income streams, improve tax compliance in a rapidly expanding sector, and integrate social media-based earnings into the mainstream tax framework.

### 159(1C)

Exemption certificate for Mutual Funds, REITs & Other Collective Investment Schemes Mutual Funds, REITs and other Collective Investment Schemes are exempt from tax if they distribute 90% of the accounting income for the respective tax year.

For timely issuance of exemption certificates to such entities and to streamline the related process a new sub-section (1C) is proposed to be inserted in section 159 whereby a Collective Investment Scheme, REIT Scheme or Special Purpose Vehicle that has distributed at least 90% of its accounting income to unit holders or certificate holders in each of the preceding three years in accordance with clause (99) of Part I of the Second Schedule, shall be eligible for issuance of an exemption certificate for the whole of the subsequent tax year.



## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

### 159(1D)

### Exemption certificate for non-profit Organizations

A new subsection (1D) is proposed in section 159 to allow issuance of exemption certificates. Now, the non-profit organizations approved under section 2(36)(c) shall also be issued exemption certificates for the whole tax year for which such approval is issued.

### 165AB

### Reporting of financial transaction data by banking companies and financial institutions.

The Bill has proposed to insert a new section 165AB to establish a comprehensive framework for the electronic reporting and algorithmic analysis of banking data. Under the proposed provision, banking companies and Electronic Money Institutions (EMIs) shall be required to electronically transmit specified account information to a Central Data Hub maintained by the Board through PRAL, notwithstanding any confidentiality protections contained in banking, financial, or economic reform laws.

The proposed reporting obligation shall apply to account holders whose aggregate deposits or withdrawals exceed Rs. 100 million during a six-month reporting period. The information to be shared includes opening and closing balances, total credits, deposits, withdrawals, and peak credit balances across all accounts maintained by the account holder.

A notable feature of the proposed framework is that the information received from financial institutions shall initially be subjected to automated algorithmic cross-matching with tax data and, during this process, shall not be visible to any income tax authority. Where the system identifies a significant mismatch between banking information and tax records, the case shall be automatically routed to the Board's Compliance Risk Management (CRM) System, with any subsequent proceedings to be conducted through the newly proposed National Faceless Centre.

The Bill also introduces statutory safeguards requiring the Board to maintain strict confidentiality of the banking information received and restricting its use to the purposes contemplated under the proposed section.

The insertion of section 165AB represents one of the most significant data-driven compliance measures proposed under the Bill. Unlike traditional information gathering mechanisms, the proposed framework seeks to leverage centralized data analytics, automated risk profiling, and faceless enforcement processes to identify potential instances of under-reporting of income, unexplained assets, or non-disclosure of transactions. Collectively with the proposed faceless audit, faceless appeals, and algorithmic settlement mechanisms, this amendment signals a broader transformation of Pakistan's tax administration towards an integrated digital compliance ecosystem based on data intelligence, automated risk assessment, and reduced human intervention.

### 177AA(1)(a)/(b) /(c)

The Bill has proposed to insert a new clause (c) in sub-section (1) of section 175AA to institutionalize a secure and centralized banking data infrastructure.

Under the proposed provision, the State Bank of Pakistan shall be empowered to establish, operate, and maintain a secure centralized virtual repository of banking data, comprising financial information, records, and transaction data of persons maintained by scheduled banks, linked through unique identifiers as may be prescribed by the Board. The repository shall also interface with data from microfinance banks and Electronic Money Institutions (EMIs) for integrated financial reporting.

The State Bank shall be responsible for collecting, consolidating, and providing such data and analytical results in accordance with clauses (a) and (b) of the sub-section.

The proposed amendment is aimed at strengthening financial data integration at the national level by enabling a centralized, secure, and structured banking database to support regulatory oversight, compliance monitoring, and data-driven tax enforcement.

## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

### 177(6B)

The Bill has proposed to insert new sub-section (6B) in section 177 to significantly enhance the Commissioner's powers during audit proceedings by enabling recourse to independent professional verification in complex or high-risk cases.

Under the proposed framework, where the Commissioner, having regard to the nature, complexity or volume of accounts, multiplicity of transactions, doubts regarding correctness of accounts, or the specialized nature of business activity, considers it necessary in the interest of revenue, he may after providing the taxpayer a reasonable opportunity of being heard and obtaining prior approval of the Chief Commissioner direct the taxpayer to obtain additional verification from independent professionals.

Such direction may require the taxpayer to arrange for: (i) re-audit of accounts by a qualified accountant, (ii) re-valuation of inventory by a cost accountant, and/or (iii) determination of actuarial values by an actuary, along with submission of detailed reports addressing specific queries raised by the Commissioner. The professionals undertaking such assignments must be selected from a panel nominated by the Board.

The proposed amendment institutionalizes a structured multi-disciplinary review mechanism within the audit process by integrating accounting, cost accounting, and actuarial expertise into tax assessments. This is intended to strengthen evidentiary accuracy in complex cases, particularly where valuation, technical estimation, or specialized financial modelling is involved, thereby improving the quality and robustness of audit findings while safeguarding revenue interests.

### 182

### Offences and Penalties

At S. No. 1, in column (3), for the Explanation, the following shall be substituted: -

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 highest tax payable by the person in any of the three immediately preceding tax years for which returns of income were duly filed.

After S. No 2, the following new S. Nos. and entries relating thereto in columns (2), (3) and (4) shall be inserted: -

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                               |        |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|--------|
| 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. | One million rupees for the first default, and two million rupees for each subsequent default. | 174(5) |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|--------|



|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |    |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| 2B | <p>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</p> <p>(a) integrate its IT platform such data interface as notified by the Board within the time specified; or</p> <p>(b) share data of the categories and in the manner required under section 175A or the rules made thereunder; or</p> <p>(c) provide complete, accurate, and timely data as required; or</p> <p>(d) designate a focal person as required; or</p> <p>(e) remedy a deficiency or non-compliance within thirty days of a written notice by the Board identifying the deficiency.</p> | <p>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.</p> <p>"Principal officer" for this purpose, means the person who, at the time of the default or during the period of continuing default, holds overall executive responsibility for the administration and functioning of the integrated organization, by whatever title or designation that person may be referred to under this ordinance, rules, or instrument constituting or governing that organization, including but not limited to the Governor, Chairman, Chief Executive Officer, Director General, Managing Director, Secretary, or Principal Accounting Officer, as the case may be; where executive responsibility is shared between two or more persons by virtue of a collegiate body or board structure, the "principal officer" shall be the person who, within that body, holds specific responsibility for regulatory compliance, data governance, or information technology; and the absence of a formal designation, or a vacancy in the office, shall not relieve the person actually exercising the functions of the principal officer from liability under this section.</p> | 2B |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|

## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

against S. No. 8, —

- (i) in sub-entry (a), in column (3), for the expression "twenty-five", the words "one hundred" shall be substituted;
- (ii) in sub-entry (b), in column (3), for the word "fifty", the words "two hundred" shall be substituted; and
- (iii) in sub-entry (c), in column (3), for the word "one", the word "three" shall be substituted.

against S. No. 10, in column (3), for the word "twenty five", the words "five hundred" shall be substituted and for the expression "50%", the expression "100%" shall be substituted;

against S. No. 12, in column (3), for the words "hundred thousand", the word "million" shall be substituted;

against S. No. 15, in column (3), for the word "forty", the expression "five hundred" shall be substituted and for the full stop occurring at the end a colon shall be substituted and thereafter the following new proviso shall be added, namely:—  
"Provided that where the defaulter in such case is a company, its Principal Officer shall be personally liable to pay an additional penalty of five hundred thousand rupees for such offense.";

against S. No. 35, in column (2), —

- (i) for the word "company", the expression "person, including a company" shall be substituted; and
- (ii) after paragraph (c), the following Explanation shall be inserted, namely: —

"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."; and

after S. No. 35, amended as aforesaid, the following new S. Nos. and entries relating thereto in columns (2), (3) and (4) shall be added, namely: —

|    |                                                                                                                                                                                                                                                                  |                                                                              |     |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----|
| 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 |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----|

## 182A

In section 182A, in sub-section (1), in clause (a), in the proviso, —

- (a) in paragraph (i), for the word "twenty", the words "one hundred" shall be substituted;
- (b) in paragraph (ii), for the word "ten", the word "fifty" shall be substituted; and
- (c) in paragraph (iii), for the word "one", the word "twenty-five" shall be substituted;



## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

182A

**In section 182A, in sub-section (1), in clause (a), in the proviso, –**

- (a) in paragraph (i), for the word "twenty", the words "one hundred" shall be substituted;
- (b) in paragraph (ii), for the word "ten", the word "fifty" shall be substituted; and
- (c) in paragraph (iii), for the word "one", the word "twenty-five" shall be substituted;

209B

### **Faceless jurisdiction of income-tax authorities**

The Bill has proposed a comprehensive restructuring of the jurisdictional framework of income tax authorities through the insertion of section 209B, introducing a faceless jurisdiction regime administered through the National Faceless Centre. Under the proposed provision, tax authorities operating within the faceless framework shall exercise such powers and perform such functions as may be assigned through algorithm-driven allocation by the Board, in respect of specified persons, classes of persons, or tax years.

The jurisdiction under this system may be either exclusive or concurrent. In cases of concurrent jurisdiction, the remaining powers shall continue to vest with the Commissioner having jurisdiction under section 209. The Board is also empowered to dynamically transfer jurisdiction between the faceless centre and field formations, either on the recommendation of the Chief Commissioner or on its own motion, thereby introducing flexibility in allocation based on risk profiling and administrative requirements.

A key feature of the proposed framework is the empowerment of the Chief Commissioner of the National Faceless Centre to request physical verification through field officers regarding business operations, assets, investments, expenditures, or other relevant information. Such verification assignments may also be allocated through an algorithm-based system, reflecting a hybrid model combining digital assessment with selective physical verification.

Importantly, the identity of the authority exercising jurisdiction within the faceless centre shall remain confidential from taxpayers and their representatives. Furthermore, any assessment, order, demand, or notice issued by such authority shall not be invalidated merely on the ground of lack of traditional jurisdiction under section 209 or absence of notified delegation under section 210, or due to confidentiality of the officer's identity.

Collectively, these provisions represent a foundational shift from territorial jurisdiction to a technology-driven, algorithmically assigned tax administration system, aimed at enhancing efficiency, reducing human interface, and strengthening risk-based enforcement.

227D

### **National faceless Centre**

The Bill has proposed to substitute section 227D to formally establish a National Faceless Centre as the central institutional mechanism for conducting tax proceedings in a faceless, technology-driven environment. The provision overrides all other provisions of the Ordinance and empowers the Board to determine the jurisdiction, powers, and functions of the Centre for faceless proceedings.

Under the proposed framework, the National Faceless Centre shall be structured as a multi-tiered institution comprising a Director General and a full hierarchy of tax officers, including Chief Commissioners, Commissioners, Additional Commissioners, Deputy Commissioners, and Assistant Commissioners, along with supporting staff as deemed necessary by the Board. This establishes the Centre as a fully functional parallel institutional framework to traditional field formations.

A defining feature of the proposed system is the algorithm-based allocation of functions and jurisdiction, whereby the Board may design automated systems to assign cases and responsibilities to different officers. This introduces a structured, data-driven workflow for case distribution, minimizing manual intervention and enabling risk-based, system-generated allocation of tax functions.

The Centre may also be organized into multiple wings and operational units as prescribed, reflecting a modular institutional design intended to handle large volumes of cases through specialized functional segmentation.

Importantly, the proposed provision mandates functional separation within each case, requiring that audit, assessment, and quality control functions be performed by different officers. This structural segregation is designed to enhance internal checks and balances and reduce concentration of authority in a single officer.

All communications within the Centre, between units, and with taxpayers or their representatives shall be conducted exclusively through electronic means, thereby eliminating physical interface and reinforcing the faceless nature of proceedings.

Overall, the proposed section represents the core institutional foundation of Pakistan's faceless tax administration system, transforming the Federal Board of Revenue's operational model into a digitized, algorithm-driven ecosystem. It integrates structural decentralization of decision-making roles with centralized digital control, aiming to improve transparency, enhance efficiency, reduce human discretion, and strengthen data-backed tax enforcement across all stages of proceedings.

228A

**Directorate General (Field Compliance), Inland Revenue**

The Bill has proposed to insert section 228A to establish a Directorate General (Field Compliance), Inland Revenue, as a specialized enforcement and compliance body within the tax administration framework. The Directorate General shall consist of a Director General and such hierarchy of officers including Directors, Additional Directors, Deputy Directors, Assistant Directors, and other staff as may be appointed by the Board through notification.

Under the proposed provision, the Board is further empowered to define the functions and jurisdiction of the Directorate General and its officers, thereby enabling a flexible and targeted compliance structure. Additionally, the Board may confer upon the Directorate General and its officers the powers exercisable by income tax authorities under section 207.

The proposed amendment is intended to strengthen field-level enforcement capacity by creating a dedicated institutional setup focused on compliance monitoring, risk-based interventions, and operational support to the broader faceless and algorithm-driven tax administration framework.

**Capital Value Tax on Foreign Assets**

Capital Value Tax (CVT) on foreign assets was introduced through the Finance Act, 2022 and is currently chargeable at the rate of 1% on the value of foreign assets held by a resident individual where the aggregate value of such assets exceeds Rs. 100 million on the last day of the tax year.

The Bill has proposed to abolish the levy of Capital Value Tax on foreign assets. Consequently, resident individuals holding foreign assets, irrespective of their value, shall no longer be liable to pay CVT under the Capital Value Tax Act, 2022. This amendment is expected to reduce the tax burden on resident individuals possessing overseas assets and simplify the taxation framework applicable to such assets.



**SECTION  
(CLAUSE)**

**THE INCOME TAX ORDINANCE, 2001**

**FIRST SCHEDULE**

**RATES OF TAX**

**Part I**

**RATES OF TAX**

**Division I**

**Rates of Tax for Individuals and Association of Persons**

**Clause 2**

The bill proposes to substitute the new table as follows:

**RATES OF TAX FOR SALARIED INDIVIDUAL**

The rates of tax imposed on the taxable income of every salaried individual Persons shall be as follows:

| <b>Taxable Income</b>                                                          | <b>Rate of tax</b>                                        |
|--------------------------------------------------------------------------------|-----------------------------------------------------------|
| Where the taxable income does not exceed Rs. 600,000                           | 0%                                                        |
| Where the taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000 | 1% of the amount exceeding Rs. 600,000                    |
| Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000   | Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000     |
| Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000   | Rs. 116,000 + 20% of the amount exceeding Rs. 2,200,000   |
| Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000   | Rs. 316,000 + 25% of the amount exceeding Rs. 3,200,000   |
| Where taxable income exceeds Rs. 4,100,000 but does not exceed Rs. 5,600,000   | Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000   |
| Where taxable income exceeds Rs. 5,600,000 but does not exceed Rs. 7,000,000   | Rs. 976,000 + 32% of the amount exceeding Rs. 5,600,000   |
| Where taxable income exceeds Rs. 7,000,000                                     | Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000 |

**Division IIB**

**RATES OF TAX FOR SUPER TAX ON HIGH EARNING PERSONS**

The bill proposes to substitute the new table of super tax on high earning persons as under:

| <b>S. No.</b> | <b>Income under section 4C and person</b>                                                                                                                                                                                                                                                        | <b>Rate of Tax</b> |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| 1.            | Income of a banking company exceeding Rs. 150 million                                                                                                                                                                                                                                            | 10% of the income  |
| 2.            | Income of a person computed under Rule 4 of Part I of the Fifth Schedule (relating to the computation of profits and gains of petroleum exploration and production companies, including limitations on payments to the Federal Government and taxes), where such income exceeds Rs. 150 million. | 10% of the income  |
| 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 any person other than those specified in Serial Nos. 1, 2, and 3, where the income exceeds Rs. 500 million                                                                                                                                                                             | 8% of the income   |

**SECTION  
(CLAUSE)**

**THE INCOME TAX ORDINANCE, 2001**

**Division IVA**

**Rate of tax on payments for Digital Transactions in E-Commerce Platforms**

The bill proposed replacing the word "delivered" with "ordered"

**Division VII**

**Capital gains on disposal of securities**

The bill proposes in the third proviso, after the word 'shall', the words 'charge and' shall be inserted.

**Division VIIIC**

**Tax on Deemed Income**

Clause VIIIC, which proposed that a resident person be deemed to have derived taxable income equal to five percent of the fair market value of capital assets situated in Pakistan, has been completely omitted from the Bill.

**Division IX**

**Minimum Tax under section 113**

The bill suggests removing the 0.25% rate for distributors of pharmaceutical products, fast moving consumer goods, and cigarettes.

**Part III**

**DEDUCTION OF TAX AT SOURCE**

**Division IC**

The Bill proposes to insertion of new division "IC" as under:

Certain payments by life insurance companies and takaful operators

| S. No. | Description                                                                                                                                                                    | Rate of Tax |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| (1)    | (2)                                                                                                                                                                            | (3)         |
| 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 seven years from the date of issuance of the life insurance policy, family takaful certificate or plan | 10%         |

**Division III**

**Rates of Tax for Payment for Goods or Services**

**153(1)(b)**

The Bill proposes to enhance withholding tax rates by for specified services payments covered by sections 153 as follows:

|                                            | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Existing Rate | Proposed Rate |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Paragraph (2)<br/>Sub-paragraph (i)</b> | In the cases of 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 asset management companies, data services provided under license issued by the Pakistan Telecommunication Authority, telecommunication infrastructure (tower) services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited, inspection, certification, testing and training services, oilfield services, telecommunication services, collateral management services, travel and tour services, REIT management services, services rendered by National Clearing Company of Pakistan Limited. | 6%            | 7%            |



## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

### Sub-paragraph (ii)

### Description

The bill proposed to substitute the sub-paragraph (ii) the new sub-paragraph as under

| S. No | Description                                                                                                                                                | Existing Rate | Proposed Rate |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| (ii)  | in the case of independent professional services such as doctors, lawyers, architects, accountants software engineers or developers, working independently | 15%           | 15%           |
| (iii) | Persons making payments to electronic and print media in case of advertising services                                                                      | 1.5%          | 1.5%          |
| (iv)  | in case of rendering of or providing of services other than sub-paragraph (i), (ii) and (iii)                                                              | 15%           | 14%           |

### Division IIIAA

### Gain arising on disposal of certain debt securities

The Bill proposes to increase the withholding tax rate under section 151A from 15% to 20%.

### Division IIIAB

### Withholding Tax on Revenues Received from Social Media Platforms

The Bill proposes the insertion of a new Division "IIIAB" after Division "IIIAA", prescribing the tax to be deducted under section 151B as follows:

| Description                                                                        | Rate of Tax |
|------------------------------------------------------------------------------------|-------------|
| (a) in case of resident persons whose name appearing in the Active Taxpayers' List | 5%          |
| (b) in case of non-resident person                                                 | 5%          |

Provided that tax collected under clause (b) shall be final tax

### Division IV

### Exports

The Bill proposes to increase the withholding tax rate under section sub-sections (1), (3), (3A) (3B) or (3C) of section 154 from 1% to 1.25%.

The Bill proposes to increase the withholding tax rate under section sub-sections (2) of section 153 from 1% to 1.25%.

### Division IVA

### Export of Services

The proposed bill extends the 0.25% final tax regime on export earnings from computer software, IT services, and IT-enabled services for PSEB-registered persons from Tax Year 2026 to Tax Year 2029.

### Part IV

### Rates of Tax for Deduction and Collection of Advance Tax

### 236C

### Advance tax on sale or transfer of immovable property

### Division X

The Bill proposes to reduce the withholding tax rates under section 236C as under:

**SECTION  
(CLAUSE)**

**THE INCOME TAX ORDINANCE, 2001**

| S. No. | Amount                                                                                                          | Existing Rate | Proposed Rate |
|--------|-----------------------------------------------------------------------------------------------------------------|---------------|---------------|
| 1      | Where the gross amount of the consideration received does not exceed Rs. 50 million                             | 4.5%          | 2.75%         |
| 2      | Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs. 100 million | 5%            |               |
| 3      | Where the gross amount of the consideration received exceeds Rs. 100 million                                    | 5.5%          |               |

**236K**

**Advance tax on purchase of immovable property**

**Division XVIII**

The Bill proposes to reduce the withholding tax rates under section 236K as under:

|   |                                                                                        |      |       |
|---|----------------------------------------------------------------------------------------|------|-------|
| 1 | Where the fair market value does not exceed Rs. 50 million                             | 1.5% | 1.25% |
| 2 | Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million | 2%   |       |
| 3 | Where the fair market value exceeds Rs. 100 million                                    | 2.5% |       |

**Division XA**

**Advance tax on TV plays and advertisements**

The bill proposes to omit Section 236CA

**Division XXVII**

**Advance tax on amount remitted abroad through credit, debt or prepaid cards**

The Bill proposes to reduce the withholding tax rate under section 236Y from 5% to 0.5%.

**SECOND  
SCHEDULE**

**EXEMPTIONS AND TAX CONCESSIONS**

**Part I**

**EXEMPTIONS FROM TOTAL INCOME**

**Clause 57**

Income arising from voluntary contributions, house property, and investments in Federal Government securities under sub-clause (4), serial number (xiii), shall be updated by replacing the term "National Endowment Scholarship for Talent (NEST)" with "Pakistan Education Endowment Fund.

At serial no. (lii), the following new serial numbers shall be inserted, namely: –

- lii Pakistan Red Crescent Society
- liv Shaheen Foundation established by Pakistan Air Force
- lv Dawat-e-Hadiya
- lvi Bahria Foundation established by Pakistan Navy
- lvii Sindh Institute of Urology and Transplantation

**Clause 78**

Any profit on debt derived from foreign currency accounts held with authorized banks in Pakistan, or certificate of investment issued by investment banks in accordance with any Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, by 9 non-resident individuals, non-resident association of persons and non-resident companies



## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

### Clause 79

The bill proposes replacing the phrase "non-resident individual holding a Pakistan Origin Card (POC), National Identity Card for Overseas Pakistanis (NICOP), or Computerized National Identity Card (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."

## Part II

## REDUCTION IN TAX RATES

### Clause 5AA

The bill proposes for the word "individual", the word "person" shall be substituted and, for the expression "or a foreign currency account", the expression "Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA), or Non-Resident Rupee Business Value Account (NRBVA)" shall be substituted.

### Clause 24CC

The Bill proposes the insertion of a new clause "24CC" after clause "24CB" as follows:

The rate of tax under clause (b) of sub-section (1) of section 153 to be deducted from a person rendering terminal or port service shall be twelve percent of the gross amount of payment

### 24D

The Bill proposes that the minimum tax rate under Section 113(1) will remain 1.25% of turnover for taxpayers in general. However, a reduced minimum tax rate of 0.5% will apply to distributors, dealers, sub-dealers, and wholesalers dealing in packaged food, fertilizer, locally manufactured mobile phones, sugar, and electronics, subject to the condition that they are listed on the Active Taxpayers Lists maintained under both the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001.

## Part IV

## EXEMPTION FROM SPECIFIC PROVISIONS

### Clause 12A

The Bill proposed replacing the word "to" with "by" and substituting the clause with the following:

The provisions of section 150 shall not apply to dividend paid by Transmission Line Projects under Transmission Line Policy 2015

### Clause 46A

Through the Finance Bill 2026, it is proposed that Clause 46A be omitted, and consequently, the provisions of sub-section (5)(3) of Section 153 will no longer apply to payments received by manufacturers of iron and steel products in respect of the sale of goods manufactured by them

### Clause 47B

The Bill proposed the insertion of the expression "151A" after the expression "151". The details are as follows

The provisions of sections 150, 151, 151A 233 8 and Part I, Division VII of the First Schedule] shall not apply to any person making payment to National Investment Unit Trust or a collective investment scheme or Approved Pension Fund or an Approved Income Payment Plan or a REIT Scheme including Special Purpose Vehicle or a recognized provident fund or an approved superannuation fund or an approved gratuity fund

Explanation.— For the purpose of this clause, Special Purpose Vehicle shall have the same meaning as defined under the Real Estate Investment Trust Regulations, 2015

### Clause 57

The proposed omission of clause (57) means that the exemption from Section 153 for companies operating as Trading Houses would no longer be available. As a result, withholding tax under Section 153 would apply to these companies in the same manner as it does to other taxpayers, subject to the normal provisions of the law.

### Clause 111AB

The bill proposes replacing the phrase "non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) maintaining a Foreign Currency Value Account (FCVA) or Non-resident Pakistani Rupee Value Account (NRVA)", the expression "Foreign Currency Value

## SECTION (CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA), or Non-Resident Rupee Business Value Account (NRBVA)

### Clause 114A

The bill proposed the substitution of the clause 114A as follows

Individuals maintaining Foreign Currency Value Accounts (FCVA), Foreign Currency Business Value Accounts (FCBVA), Non-Resident Rupee Value Accounts (NRVA), or Non-Resident Rupee Business Value Accounts (NRBVA) with authorized banks in Pakistan, under the State Bank of Pakistan's foreign exchange regulations, are not required to register under section 181 or file income tax returns under section 114(1)(ae) solely because of holding such accounts.

Accordingly, individuals holding these accounts are generally exempt from tax registration and return filing obligations arising only on the basis of account ownership. In addition, income generated from such accounts—such as profit on debt, returns on Government of Pakistan securities (conventional or Shariah-compliant), capital gains on the sale of immovable property and securities, and dividend income—may also enjoy tax relief or exemption, subject to applicable conditions and the source of investment being traceable to eligible account proceeds.

However, these relaxations apply specifically to qualifying foreign currency and non-resident rupee accounts and do not extend to ordinary local bank accounts, where standard tax registration and filing requirements remain applicable.

### Clause 115

The bill proposes to replace the word “one” with “two” in the following provision:

The provisions of section 153 shall not apply to individual traders having turnover of up to two hundred million rupees, as prescribed persons.

Explanation.— In this clause, the term “trader” carries the same meaning as defined in clause (28D) of Part II of the Second Schedule.

## EIGHT SCHEDULE

## RULES FOR THE COMPUTATION OF CAPITAL GAINS ON LISTED SECURITIES

### Rule 5

Persons to whom this Schedule shall not apply

The proposed omission a person intending not to avail the tax determination and payment mechanism prescribed under this Schedule shall, subject to prior approval of the Commissioner, furnish an irrevocable option to NCCPL in the prescribed manner. In such circumstances, the provisions of Rule 2 shall not be applicable

## THE TENTH SCHEDULE

## RULES FOR PERSONS NOT APPEARING IN THE ACTIVE TAXPAYER LIST

### Rule 1A

**Rate of deduction or collection of tax from persons who are appearing on active taxpayers' list but have not filed return by the due date**

The Bill proposes to abolish the separate tax rate tables under sections 236C (sale of immovable property) and 236K (purchase of immovable property) for persons whose names appear on the Active Taxpayers List (ATL) but who failed to file their income tax returns by the due date.

### Rule 10

The Bill proposed amendment seeks to omit Rule 10(y) in respect of tax collected under Section 37A on the disposal of securities acquired on or after 1 July 2025. Consequently, the exclusion from the application of the Tenth Schedule will no longer be available for securities acquired before 1 July 2025, whereas tax collected under Section 37A on securities acquired on or after that date will continue to remain outside the scope of the enhanced tax provisions applicable under the Tenth Schedule.



## SECTION (CLAUSE)

## SALES TAX ACT, 1990

### (1AA)

### ADVANCE RECEIPT INVOICE

The Finance Bill 2026 proposes to insert a new clause No. 1AA in section 2. The term "ADVANCE RECEIPT INVOICE" is proposed which means "an invoice in the format as may be notified by the Board from time to time".

The board shall notify the formats from time to time.

### (1AAA)

### ALGORITHMIC SETTLEMENT MECHANISM

The Finance Bill 2026 proposes to insert another new clause No. 1AAA in section 2. The term ALGORITHMIC SETTLEMENT MECHANISM is proposed which means algorithmic settlement mechanism provided under section 26AAA of this Act.

Interestingly, the referred section 26AAA is not available in the Act, nor it is proposed in current finance bill.

### (9AB)

### ELECTRONIC INVOICING SYSTEM

The Finance Bill 2026 proposes to insert another new clause No. 9AB in section 2. The term "ELECTRONIC INVOICING SYSTEM" is proposed which means such electronic system or mechanism as may be prescribed or approved by the Board for issuance and recording of sales tax invoices in electronic form.

The insertion of above new clause in the definition proves that government is committed to promote the Information Technologies for collection of taxes which is a good step.

### (17A)

### NATIONAL FACELESS CENTRE

The Finance Bill 2026 proposes to introduce another new clause in the No. 17A in the section 2. The term National faceless centre as defined in section 32C of the Act.

The bill also proposes to insert the referred section 32C in the Act and intends to establish the faceless centres for various functions under the Act where human interaction shall be prevented.

### (22)(1A)

### PRODUCTION MONITORING SYSTEM

The Finance Bill 2026 proposes to introduce another new clause in the definition section which shall "mean means 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".

Through the above proposed definition, the Government intends to monitor production and sales of goods in real time or otherwise and accordingly proposes to insert the above section.

### (43A)

### TIER-I RETAILER

The Finance Bill 2026 proposes to amend the definition of the "Tier -I Retailer" which is provided hereunder:

- (i) Earlier, all types of wholesaler cum-retailer engaged in bulk import and supply of consumer products were considered "tier-I retailer however", now the Bill proposes to set the turnover limit of Rupee exceeding two hundred Million.
- (ii) Earlier, as per the sub-clause f of the clause 43A, the retailer who has acquire the POS for accepting payment was included in the definition of the Tier-I retailer which is now proposed to be omitted. Similarly Sub-clause (g) relating to the retailer whose tax under section 236G or 236H were deductible, is also proposed to be omitted.

## SECTION (CLAUSE)

## SALES TAX ACT, 1990

- (iii) The Bill proposes to insert another sub-section (ga) defining the Tier-I Retailer whose turnover exceeds Two Hundred Million Rupee either by declaration and or by way of worked back value of tax deduction under section 236G or 236H.
- (iv) The Finance Bill 2026 also proposes to inset a proviso empowering the Board exclude any person or class of persons through a notification in the official gazette from the definition of Tier-I retailer.

## 44 TIME OF SUPPLY

The Finance Bill 2026 proposes to insert an explanation to define the term time of supply which is when (i) goods are delivered or (ii) made available, mean the goods become ready for dispatch from the business premises including but not limited to factory, warehouse, godown or branch.

We understand that the proposed explanation would further complicate the matter, as the time of supply should be linked with transfer of risk and reward of the ownership rather than when goods are made available

## 46 VALUE OF SUPPLY

The Finance Bill 2026 proposes to insert an expression in the first proviso of sub-clause (j) through which Board is empowered to (i) use the valuation of Pakistan Bureau of Statistics and (ii) outsource the functions of valuation of goods to third party for any imported goods.

## 6 TIME AND MANNER OF PAYMENT

The Finance Bill 2026 proposes to insert new proviso after first proviso to sub-section (2) for collecting tax from (i) steel melters, (ii) steel re-rollers and (iii) composite units on the basis of electricity unit consumption and tax so collected shall be adjustable for those registered persons who integrate with the Board's prescribed production monitoring and digital invoicing systems

## 8B ADJUSTABLE INPUT TAX

The Finance Bill 2026 proposes to introduce new proviso after second proviso to the sub-section 1 of section 8B empowering the Board to reduce or enhance the limit of adjustment of Input tax on the basis of compliance or non-compliance with the production monitoring, digital invoicing, e-bility, POS, or any other electronic system.

## 9 DEBIT AND CREDIT NOTE

The Finance Bill 2026 proposes to introduce a proviso in section 9 proposing that the issuance of debit and credit notes shall be governed by the mechanism including electronic adjustments, as may be prescribed by the Board.

Earlier manual entry of debit and credit notes were possible.

## 11H FACELESS AUDIT AND ASSESSMENT

The Finance Bill 2026 proposes to introduce new Section 11H for conduct of audit in faceless manner by applying the provision of Section 25 of the Act under sections 25 and 72B, any order made under section 11E, and rectification under section 57 for which the Board may prescribe rules.

It is also proposed that any opportunity of being heard to be provided to the taxpayer shall be done through E-hearing and the identity of the officer, including facial and voice identity, conducting such E-hearing shall be kept confidential.

The proposed methodology intends to introduce a new mechanism for audit and assessment in faceless manner while keeping the identity of the officer, including facial and voice identity confidential.



## SECTION (CLAUSE)

## SALES TAX ACT, 1990

21

### DE-REGISTRATION, BLACKLISTING AND SUSPENSION OF REGISTRATION

The Finance Bill 2026 proposes to extend the scope of suspension and blacklisting of the registered person in case of:-

- (i) non-compliance to integrate their electronic invoicing system with the Board's Computerized System under section 23(6).
- (ii) Failed to integrate with the Licensed integrator under section 23(6), &
- (iii) Monitoring or tracking by electronic or other means under section 40C.

23

### TAX INVOICES

The Finance Bill 2026 proposes to issue serially numbered sales tax invoice for exempt supply including advance receipt invoice bearing a verifiable and unique FBR invoice number.

In Clause (b), after explanation, both provisos are proposed to be replaced with the following new provisos;

Provided that the Board may notify any person or class of persons who may be allowed to issue an advance receipt invoice within the notified system:

Provided further that the condition of verifiable and unique FBR invoice number shall be applicable from a time as notified by the Board.

25

### AUDIT OF SALES TAX AFFAIRS

The Finance Bill 2026 proposes to add new sub sub-Section (8A) to Section 25 of the Act wherein the Commissioner has been empowered to direct the registered person to either get (a) the accounts re-audited by an accountant and/or (b) have the inventory re-valued by a cost accountant, after giving the registered person a reasonable opportunity of being heard, and with the previous approval of the Chief Commissioner in case the Commissioner is of the opinion at any stage of the proceedings before him that:

- (a) the nature and complexity of the accounts; or
- (b) volume of the accounts; or
- (c) doubts about the correctness of the accounts; or
- (d) multiplicity of transactions in the accounts; or
- (e) specialized nature of business activity of the registered person, and interests of the revenue

Further, an explanation has also been added to sub-Section (8A), i.e. The accountant or the cost accountant, shall be nominated by the Commissioner for the purposes of the said sub-section from amongst the panel of such accountants or cost accountants nominated by the Board.

The Finance Bill 2026 also proposes to add new sub sub-Section (8B) to Section 25 of the Act to make it mandatory for the Officer Inland Revenue to issuance an audit report.

The proposed additions intend to broaden the scope of audit by empowering the Commissioner but the power to exercise judgment and to have the accounts re-audited and/or inventory re-valued after approval of the Chief Commissioner would create further controversy and complicate matters leading to litigation. Moreover, the process shall be more transparent as now it would be mandatory for the Officer Inland Revenue to issuance an audit report.

30AA

### FACELESS JURISDICTION

The Finance Bill 2026 proposes to add a new Section 30AA wherein the Inland Revenue tax authorities appointed in National faceless center shall perform all or such functions, and exercise all or such powers under the Act as may be assigned to them in respect of such persons, or classes of persons, for such tax periods of a person through algorithms developed by the Board and the jurisdiction so assigned may be exclusive or concurrent.

## SECTION (CLAUSE)

### SALES TAX ACT, 1990

The Board shall also have the powers to transfer jurisdictions on the recommendation of the Chief Commissioner or on its own accord in respect of persons or classes of persons, for a specific tax period, for which the jurisdiction has already been assigned under this section, from National faceless center to the officer of Inland Revenue having jurisdiction under section 30 of the Act.

The Chief Commissioner appointed in the National faceless center may request the Board who may exercise its power of allocation of verification through an algorithm based system so as to direct the Officer of Inland Revenue having jurisdiction under section 30 or any other Authority under the Act to conduct physical verification including nature and size of the business, assets, investments, expenditures, and any other information or verification required by the Chief Commissioner for conducting any proceedings assigned to the National faceless centre.

The Finance Bill 2026 also proposes that the identity of the authority exercising jurisdiction in the National faceless centre shall be kept confidential from the registered person, the authorized representative of the registered person, and any unauthorized person.

Moreover, it is also proposed that no notice, order, or other communication by an authority appointed at the National faceless centre shall be called in question or set aside merely on the ground that such authority did not have jurisdiction over the taxpayer under section 30 of this Act, or lack of notified delegation of power under section 32 of this Act, or because of the fact that identity of the authority has been kept confidential from the taxpayer.

The proposed addition intends to broaden the scope of audit by empowering the Commissioner but the power to exercise judgment to have the accounts re-audited and inventory re-valued after approval of the Chief Commissioner and providing immunity for not questioning the proceedings would create further controversy and complicate matters leading to litigation.

## 30DDDB

### DIRECTORATE GENERAL ((FIELD COMPLIANCE) INLAND REVENUE

The Finance Bill 2026 proposes to insert new section 30DDDB by creating another department headed by Director General and other Officers for field compliance of various functions along with powers of authorities specified in section 30 upon the Directorate General and its officers which the Board may specify by notification in the official Gazette.

The proposed addition intends to establish another department within the FBR for enforcement purposes that may overlap with the functions of the Commissioner Inland Revenue.

## 32C

### NATIONAL FACELESS CENTRE

The Finance Bill 2026 proposes to insert a new Section 32C to establish a National Faceless Centre to be headed by Director General and other Officers and specify its jurisdiction, powers, and functions. The functions of audit, assessment and quality control in a specific case for a specific tax period shall be performed by separate officers to be operated through electronic means and algorithmics.

The proposed new Section has introduced a new concept of faceless audit and assessment by the National Faceless Centre under a centralized AI-driven algorithm tax evaluation model that eliminates direct contact between taxpayers and tax officers. Such a mechanism is proposed to be designed to curb corruption and human bias, whereby cases are algorithmically assigned and masked to ensure anonymity.

## Sr.No.1

### Penalty on failure to furnish return within due date

The penalty in case any person who fails to furnish tax return within due date has been increased from ten thousand rupees to fifty thousand rupees and the penalty in case the person who has failed to furnish tax return within 10 days of the due date has been increased from two hundred to two thousand rupees.



## SECTION (CLAUSE)

## SALES TAX ACT, 1990

| Offences                                                           | Penalties and Punishments                                                                                                                                                        | Proposed Penalties and Punishments                                                                                                                                                   | Section of the offence to which offence has referred |
|--------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| 1. Where any person fails to furnish a return within the due date. | Ten thousand rupees:<br><br>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. | Fifty} thousand rupees:<br><br>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. | 26                                                   |

### Sr.No.2

#### Penalty on failure to issue invoice when required

The penalty in case any person who fails to issue invoice has been increased from five thousand rupees or three per cent of the amount of the tax involved, whichever is higher to a penalty of twenty-five thousand rupees or five per cent of the amount of the tax involved, whichever is higher.

| Offences                                                                  | Penalties and Punishments                                                                                                         | Proposed Penalties and Punishments                                                                                                      | Section of the offence to which offence has referred |
|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| 2. Any person who fails to issue an invoice when required under this Act. | Such person shall pay a penalty of five thousand rupees or three per cent of the amount of the tax involved, whichever is higher. | Such person shall pay a penalty of twenty-five thousand rupees or five per cent of the amount of the tax involved, whichever is higher. | 23                                                   |

### Sr.No.3

#### Penalty on unauthorized issue of invoices

The penalty in case of unauthorized issue of invoices has been increased from ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher to a penalty of fifty thousand rupees or ten per cent of the amount of the tax involved, whichever is higher.

| Offences                                                                                    | Penalties and Punishments                                                                                                       | Proposed Penalties and Punishments                                                                                               | Section of the offence to which offence has referred |
|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| 3. Any person who un authorizedly 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 per cent of the amount of the tax involved, whichever is higher. | 3, 7 and 23                                          |

### Sr.No.5

#### Penalty of failure to deposit the amount of tax due

The penalty in case of failure to deposit the amount of tax due has been increased from ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher to a penalty of fifty thousand rupees or five per cent of the amount of the tax involved, whichever is higher. And the penalty in case the tax is not paid within in 10 days from the date of due date has been increased from five hundred to 5 thousand rupees.

**SECTION  
(CLAUSE)**

**SALES TAX ACT, 1990**

| Offences                                                                                                                                                         | Penalties and Punishments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Proposed Penalties and Punishments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Section of the offence to which offence has referred |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| 5. 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. | Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher: Provided that, 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: Provided further that no penalty shall be imposed when any miscalculation is made for the first time during a year: Provided further that if the amount of tax due is not paid even after the expiry of a period of sixty days of issuance of the notice for such payments by an officer of Inland Revenue, not below the rank of Assistant Commissioner Inland Revenue], the defaulter shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to amount equal to the amount of tax involved, or with both. | Such person shall pay a penalty of fifty thousand rupees or five per cent of the amount of the tax involved, whichever is higher: Provided that, 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: Provided further that no penalty shall be imposed when any miscalculation is made for the first time during a year: Provided further that if the amount of tax due is not paid even after the expiry of a period of sixty days of issuance of the notice for such payments by an officer of Inland Revenue, not below the rank of Assistant Commissioner Inland Revenue], the defaulter shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to amount equal to the amount of tax involved, or with both. | 3, 6, 7 and 48                                       |

**Sr.No.7**

**Penalty on Failure to make an application for registration when required**

The penalty in case of failure to make an application for registration when required has been increased from ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher to a penalty of fifty thousand rupees or five per cent of the amount of the tax involved, whichever is higher.



| Offences                                                                                                                                             | Penalties and Punishments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Proposed Penalties and Punishments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Section of the offence to which offence has referred |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| 7. 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: Provided that such person who is required to get himself registered under this Act, fails to get registered within sixty days of the commencement of taxable activity, he shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the amount of tax involved, or with both. | Such person shall pay a penalty of fifty thousand rupees or five per cent of the amount of tax involved, whichever is higher: Provided that such person who is required to get himself registered under this Act, fails to get registered within sixty days of the commencement of taxable activity, he shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the amount of tax involved, or with both. | 14                                                   |

Sr.No.8

**Penalty on failure to maintain required records**

The penalty in case of failure to maintain required records has been increased from ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher to a penalty of fifty thousand rupees or five per cent of the amount of the tax involved, whichever is higher.

| Offences                                                                                           | Penalties and Punishments                                                                                                   | Proposed Penalties and Punishments                                                                                            | Section of the offence to which offence has referred |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| 8. Any person who fails to maintain records required under this Act or the rules made there under. | 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. | 22 and 24                                            |

Sr.No.25

**Enhanced Enforcement and Penalties for failure to make Digital Integration Registration**

Previously, a non-compliant person was liable to a penalty of up to Rs. 1 million, and business premises could only be sealed if the violation continued for two months after the penalty. Under the proposed amended provision, if the default continues for one month after the first penalty, a second penalty of up to Rs. 5 million may be imposed. Furthermore, FBR officers are empowered to seal business premises with or without imposing a penalty.

| Offences                                                                                                                                                                                                                                                                                                                                                                                | Penalties and Punishments                                                                                                                                                                                                                                                                                        | Proposed Penalties and Punishments                                                                                                                                                                                                                                                                                                                                                                                | Section of the offence to which offence has referred |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| 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 after imposition of penalty as aforesaid, his business premises shall be liable to be sealed by an officer of Inland Revenue in the manner as may be prescribed. | 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. Notwithstanding, his business premises shall be liable to be sealed with or without imposition of penalty by an officer of Inland Revenue in the manner as may be prescribed. | 40C                                                  |

Sr.No.29

#### Introduction of Penalties for Simulated or Fictitious Invoices

The proposed new provision aims to curb the issuance of fake or simulated invoices used for fraudulent tax claims. It imposes a penalty equal to the invoice value, publicly lists offenders in a simulated invoice issuers register, and automatically disallows any input tax credit claimed on the basis of such invoices.

| Offences                                                                                                                                                                                                                | Proposed Penalties and Punishments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Section of the offence to which offence has referred |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| 29. Where any registered person issues an 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. | <p>(i) 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> | 2(37)                                                |



## SECTION (CLAUSE)

## SALES TAX ACT, 1990

Sr.No.30

### Penalty on Unmatched Input Tax Credit Claims

The proposed new provision discourages incorrect or fraudulent input tax claims by imposing a 20% penalty on unmatched input tax, along with reversal of the inadmissible credit and payment of default surcharge.

| Offences                                                                                                                                                                                                                                                                                                                                                 | Proposed Penalties and Punishments                                                                                                                                                          | Section of the offence to which offence has referred |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| 30. 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 is confirmed after issuance of notice and provision of opportunity of being heard. | 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. | 7, 8A                                                |

Sr.No.31

### Penalty for Failure to Reverse Credit from Simulated Invoice Issuers

The proposed new provision penalizes registered persons who fail to reverse input tax credit claimed on invoices issued by blacklisted (simulated invoice) issuers within 60 days. It imposes a 20% penalty, along with reversal of the credit and payment of default surcharge

| Offences                                                                                                                                                                                                                                                                                                                                           | Proposed Penalties and Punishments                                                                                                                                        | Section of the offence to which offence has referred |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| 31. 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. | 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. | 7, 8A, 33 (S.No.29)                                  |

40C

The Finance Bill 2026 proposes to substitute sub-Section (2) and (3) of Section 40C of the Act with minor changes so as to include production monitoring system, video analytics, etc. within the ambit of monitoring or tracking by electronic or other means.

The Finance Bill 2026 proposes to add a new sub-Section (6) to Section 40C of the Act wherein goods shall be liable to seizure and confiscation in case goods are manufactured, produced, removed, transported, supplied or otherwise dealt with or without affixing the prescribed tax stamps, banderoles, stickers, labels, barcodes or without compliance with the prescribed monitoring system.

The proposed addition intends to rationalize the scope of monitoring or tracking by electronic or other means of taxable goods which were covered therein and also proposes seizure and confiscation in case of non-compliance.

40F

### SALE OF CONFISCATED GOODS BY AUCTION

The Finance Bill 2026 proposes to insert a new Section 40F providing mechanism for sale of confiscated goods by auction through electronic means to be prescribed by the Board and the Board shall be bound by Public Procurement Regulatory Authority Rules, 2014 in this regard.

## SECTION (CLAUSE)

## SALES TAX ACT, 1990

The sales proceeds from such auction shall be applied to the following purposes in their respective order, namely:-

- (a) first to pay the expenses of the sale;
- (b) then to pay the sales tax, other taxes and dues including penalty and surcharge payable to the Federal Government in respect of such goods; and
- (c) the balance amount in respect of confiscated goods excluding those liable for outright confiscation, if any, shall be paid to the owner of the goods, 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:

Provided that, in case wherein goods declaration has been filed, the share of importer in sale proceeds shall not exceed the declared value of the goods.

The proposed addition intends to outline the mechanism for sale of confiscated goods by auction through electronic means ensuring transparency.

## 45C

## FACELESS APPEAL

The Finance Bill 2026 proposes to insert a new Section 45C for processing of appeal filed u/s 45B through the National Faceless Center for which the Board shall prescribe the related rules.

The proposed addition intends to create a new forum of appeal by applying the existing provision of Section 45B.

## 47AA

## ALGORITHMIC SETTLEMENT MECHANISM

The Finance Bill 2026 proposes to insert a new Section 47AA empowering the Board to establish digitally operated algorithmic settlement mechanism for settlement of tax proceedings at any stage before any order under sections 11D or 11E of the Act. Whereby an offer is presented to the registered person for settlement to be calculated on the basis including but not limited to:

- (a) the stage of proceedings at which settlement is offered;
- (b) the registered person's compliance history, as maintained in FBR's data;
- (c) the nature and character of the discrepancy; and
- (d) any other basis the Board may consider relevant.

Any registered person who opts to avail this mechanism shall within ten days from the date of settlement offer accept the settlement offer on IRIS and deposit the settlement offer amount and the issues confronted to the registered person, if any, through a notice or an audit report under this Act shall stand abated.

The proposed new section also provides a caveat that upon payment of tax consequent upon acceptance of offer shall not preclude proceedings in respect of any other issue or discrepancy not covered by the settlement offer, nor shall it affect proceedings for any other tax period.

The proposed new Section intends to provide another mechanism for settlement of disputes.

## 47AAA

## INDEPENDENT CASE SCRUTINY COMMITTEE

The Finance Bill 2026 proposes to insert a new Section 47AAA whereby a reference under Section 47 of the Act before the High Court, or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan shall only be filed by the Commissioner Inland Revenue after the same has been approved by an independent case scrutiny committee as constituted by the Board. The committee constituted shall exercise its powers and functions with effect from the date of its constitution as notified by the Board and shall comprise of the following members:



## SECTION (CLAUSE)

## SALES TAX ACT, 1990

- (a) a Chairman who shall be a retired judge of the Supreme Court of Pakistan, the Federal Constitutional Court, or any of High Court;
- (b) an Advocate to be nominated from a panel notified by the Board having not less than fifteen years of experience in duty and commercial litigation before the High Court or Supreme Court of Pakistan; and
- (c) a senior serving or retired officer of the FBR (BS 20 or above)

The powers, functions, and procedure of the Committee along with remuneration of its Members shall be governed as may be prescribed.

Recommendations of the committee shall be binding upon the Commissioner Inland Revenue having jurisdiction over the case. Whereas the members of the committee and the Commissioner Inland Revenue having jurisdiction over the case shall have immunity as no suit, prosecution, or other legal proceedings shall lie against them.

The proposed new Section is an institutional mechanism introduced by the Board to review and decide whether tax-related departmental appeals should be filed in courts. Its primary goal is to improve the quality of tax litigation and avoid frivolous or unnecessary litigation.

## 56B

The Finance Bill 2026 proposes to insert a new sub-Section (3) to Section 56B of the Act wherein the Board shall have the power to share data contained in Sales Tax returns of registered persons belonging to a sector amongst all registered persons of the same sector under strict non-disclosure agreements to create market equity and to enhance tax compliance subject to such limitations, restrictions and conditions as may be specified by the Board.

The proposed new sub-Section may create controversy due to data integrity and confidentiality of sensitive data among competitors.

## THIRD SCHEDULE

Through the Finance Bill 2026, it is proposed to amend the Third Schedule to the Sales Tax Act, 1990, by inserting new serial numbers 56 to 76 after the existing serial number 55.

The Third Schedule relates to items liable to sales tax at the retail price, meaning the tax will be charged on the final consumer price rather than at the import or manufacturing stage.

The following items are proposed to be added to the Third Schedule:

| S. No. | Description                                                                                                                                                                                                                                                            | HS Codes            |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| 56     | Vegetable and animal fats and oils, sold in retail packing.                                                                                                                                                                                                            | Respective headings |
| 57     | Sugar Confectionary, sold in retail packing.                                                                                                                                                                                                                           | Respective headings |
| 58     | Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared, sold in retail packing.                                 | 19.20               |
| 59     | Sauces, ketchup and other preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard, sold in retail packing.                                                                                                           | Respective headings |
| 60     | Fermented beverages, sold in retail packing.                                                                                                                                                                                                                           | Respective headings |
| 61     | Petroleum jelly, paraffin wax, micro- crystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes, and similar products obtained by synthesis or by other processes, whether or not coloured, sold in retail packing.                  | 27.12               |
| 62     | Insecticides, rodenticides, fungicides, herbicides, anti- sprouting products and plant- growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles put up in forms or packings for retail sale. | 38.08               |

| S. No. | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | HS Codes            |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| 63     | Plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls, sold in retail packing.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 39.19, 39.20, 39.21 |
| 64     | Tableware, kitchenware, plastic furniture, storage items, hygienic or toilet articles, and allied other household articles of plastics, sold in retail packing.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Chapter 39          |
| 65     | 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 fiber or of paperboard, or wholly or mainly covered with such materials or with paper, put up for retail sale. | 42.02               |
| 66     | Footwear (all types)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Respective headings |
| 67     | Bathroom accessories and bath items, sanitaryware including taps, showerheads, fittings, mixers, valves and other washroom accessories and fixtures, sold in retail packing                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Respective headings |
| 68     | Crockery Items, sold in retail packing                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Respective headings |
| 69     | Car and automobile accessories, sold in retail packing                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Respective headings |
| 70     | Milk, fat filled milk, preparations suitable for infants, and other products of milk, sold in retail packing                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Respective headings |
| 71     | Preparations for use on the hair, sold in retail packing                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 33.05               |
| 72     | 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 deodorizers, whether or not perfumed or having disinfectant properties, sold in retail packing                                                                                                                                                                                                                                                                                                                                                                                                 | 33.07               |
| 73     | 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 fibers, whether or not creped, crinkled, embossed, perforated, surface- colored, surface- decorated or printed, in rolls or sheets, put up for retail sale.                                                                                                                                                                                                                                                                                                                                                                                  | 4803.0000, 48.18    |
| 74     | 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, sold in retail packing                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 20.07, 20.08        |
| 75     | Household utensils, including Stainless steel, aluminum, melamine and other utensils and tableware.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Respective headings |
| 76     | Ceramic Products including wash basins, commodes, tiles and allied ceramic sanitary products, put up for retail sale.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                     |

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.

These amendments aim to broaden the tax net on consumer goods, particularly those considered as luxury or non-essential items, by subjecting them to sales tax on their retail value. The measure is expected to improve revenue collection and align the taxation framework with the principle of taxing end consumption.

#### SIXTH SCHEDULE (TABLE 1- IMPORTS OR SUPPLIES)

Through the Finance Bill 2026, it is proposed to amend the Table 1 of the Sixth Schedule to the Sales Tax Act, 1990, by substitution of existing serial numbers 32, 157 and 181 and by inserting new serial numbers 182 to 185.



The following items are proposed to be substituted to the Sixth Schedule in Table 1:

| S. No. | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | HS Codes                                                                                                                                                  |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| 32     | Newsprint, books, and magazines but excluding brochures, leaflets and directories.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 4902.1000, and<br>4902.9000                                                                                                                               |
| 157    | Import of CKD (in kit form) of following electric vehicles (4 wheelers) by local manufacturers till 30th June, 2027:<br><br>(i) Small cars/SUVs with 50 Kwh battery or below; and<br><br>(ii) Light commercial vehicles (LCVs) with 150 kwh battery or below                                                                                                                                                                                                                                                                                                                          | Respective headings                                                                                                                                       |
| 181    | Import or lease of aircrafts and parts thereof by Pakistan International Airlines Corporation Limited (PIACL)<br><br>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:<br><br>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<br>8802.3000<br>8802.4000<br>8801.0000,<br>8802.2000,<br>8804.0000<br>8805.2900<br>8807.3000<br>9104.0010<br>8544.2000<br>7007.1900<br>and 9931 |

The following items are proposed to be inserted to the Sixth Schedule in Table 1:

|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                               |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| 182 | Contraceptives                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 3926.9020 and<br>4014.1000                                    |
| 183 | Female Sanitary Pads / Tampons                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 9619.0030                                                     |
| 184 | Import of:<br><br>– Tankers,<br>– Dredgers,<br>– Floating or submersible drilling, or production platforms,<br>– Others floating structures and vessels.<br>– Other vessels for the transportation of goods<br><br>Excluding Cruise ships, excursion boats and similar vessels principally designed for the transport of persons; ferry- boats of all kinds.<br><br>Provided that the quantity of imported goods under this entry shall be approved by Ministry of Maritime Affairs                | 8901.2000<br>8905.1000<br>8905.2000<br>8905.9000<br>8901.9000 |
| 185 | Import of bullet proof vehicles by the:<br><br>(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.<br>(ii) 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 headings                                           |

## SECTION (CLAUSE)

## SALES TAX ACT, 1990

These amendments aim to broadening the scope of exemption of sales tax on certain goods. The measure is expected to facilitate the business community and have mixed economic, fiscal, and social impacts.

### SIXTH SCHEDULE (TABLE 3)

Through the Finance Bill 2026, it is proposed to amend the Annexure to Table 3 to the Sixth Schedule to the Sales Tax Act, 1990, by inserting new serial numbers 23 to 24.

The following items are proposed to be inserted to the Sixth Schedule to the Table 3 in the Annexure:

| S. No. | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | HS Codes                                                                                                                                                                              | Conditions                                                                                                                                                                                                                                                                                                                                                                                                |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 23     | <p>Import of following machinery/ equipment for upgradation of existing refineries:</p> <ol style="list-style-type: none"> <li>Reactors,</li> <li>Shell and Tube Exchangers,</li> <li>Vessels (Strippers/Separators/ K.O. Drums),</li> <li>Trim Coolers,</li> <li>5. Air Coolers (Condensers),</li> <li>Fired Heaters,</li> <li>Centrifugal Pumps,</li> <li>Reciprocating Pumps,</li> <li>Centrifugal Compressors,</li> <li>Reciprocating Compressors,</li> <li>Steam Reformer Furnaces,</li> <li>Filters,</li> </ol> <p>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> | <p>8419.8990,<br/>8419.5000,<br/>8419.8990,<br/>8418.6990,<br/>8419.8990,<br/>8417.8000,<br/>8413.7090,<br/>8413.5000,<br/>8414.8090,<br/>8414.8090,<br/>8417.8000,<br/>8421.3990</p> | <p>The goods shall be imported directly by the refinery after approval by the division concerned.</p>                                                                                                                                                                                                                                                                                                     |
| 24     | <p>Import of machinery, equipment, raw materials, components and other capital goods, by Karachi Shipyard and Engineering Works Limited</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>Respective headings as approved by the concerned Division.</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.</p> <p>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> |

These amendment aims to broadening the scope of exemption of sales tax on certain goods and subject to certain and specific conditions. The measure is expected to facilitate the E&P sector to upgrade its existing refineries and also specifically Karachi Shipyard and Engineering Works Limited in the import of certain goods.



### EIGHT SCHEDULE

Through the Finance Bill 2026, it is proposed to amend the Eight Schedule to the Sales Tax Act, 1990, by substitution of existing serial numbers 71 and 80.

The following items are proposed to be substituted to the Eight Schedule

| S. No. | Description                                                                                                                                                                                                                      | HS Codes               | Rate of Sales Tax | Condition           |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-------------------|---------------------|
| 71     | Following locally manufactured or assembled electric vehicles (4 wheelers) till 30th June, 2027:<br>(i) Small cars/SUVs with 50 Kwh battery or below; and<br>(ii) Light commercial vehicles (LCVs) with 150 kwh battery or below | Respective Headings    | 1%                | If supplied locally |
| 80     | EV transport buses of 25 seats or more and electric trucks in CBU condition                                                                                                                                                      | 8702.4090<br>8704.6030 | 1%                |                     |

These amendments aims boost the locally assembled finished Electric Vehicles (EVs) and to enhance the sunset clause by one more year. The measure is expected to improve consumer confidence to move to EVs keep EV showroom price from rising which in turn will promote a greener environment.

### ELEVENTH SCHEDULE

Through the Finance Bill 2026, it is proposed to include:

- a) Both Association of Persons and Individuals as withholding agents alongside companies under the withholding tax regime.  
By inserting a new serial number 14.

| S. No. | Withholding Agent                                | Supplier Category                   | Rate of extend of Deduction                          |
|--------|--------------------------------------------------|-------------------------------------|------------------------------------------------------|
| 14     | Registered persons engaged in toll manufacturing | Person other than registered person | Four times of the tax charged on conversion charges. |

These amendments broaden the category of withholding agents. The measure is will impose compliance burden especially on individuals.

### TWELFTH SCHEDULE

Through the Finance Bill 2026, it is proposed to include the following provisos:

Provided that the manufacturer shall be liable to pay 3% value addition tax on ad valorem basis, along with default surcharge in case the imported goods are supplied in the same state whether in the same packing, repacked, or in bulk:

#### Provided further that where-

- benefit of waiver of 3% value addition tax is availed, declaring that the goods are imported for in-house consumption in manufacturing process;
- such imported goods are not used for in-house consumption;
- imported goods are supplied in the same state whether in the same packing, repacked, or in bulk; and
- such supply exceeds 50% of total imports in a financial year;

**such person will be liable to prosecution.**

This amendment inserts further conditions, restrictions and limitations on import of goods and imposes 3% Value Addition Tax in case such goods are sold in same state. The measure intends to penalize such importers from misusing the provisions.

## SECTION (CLAUSE)

## THE FEDERAL EXCISE ACT, 2005

### 2(2A)

### ALGORITHMIC SETTLEMENT MECHANISM

The Finance Bill 2026 proposes to insert a new definition of the term "algorithmic settlement mechanism" which means algorithmic settlement mechanism provided under section 26AAA of the Sales Tax Act, 1990.

Kindly note that similar amendments have also been proposed in the Bill under the Sales Tax Act, 1990. However, it has been noted that proposed Section 26AAA of the Sales Tax Act, 1990 has not been made part of the Finance Bill.

### 2(9b)

### ELECTRONIC INVOICING SYSTEM

The Finance Bill 2026 proposes to insert a new definition "electronic invoicing system" so as to include such electronic system or mechanism as may be prescribed or approved by the Board for issuance and recording of sales tax invoices in electronic form.

### 2(16A1)

### NATIONAL FACELESS CENTRE

The Finance Bill 2026 proposes to insert a new definition "National faceless centre" as defined in Section 32C of the Sales Tax Act, 1990.

### 2(19b)

### PRODUCTION MONITORING SYSTEM

The Finance Bill 2026 proposes to insert a new definition "production monitoring system" which means 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.

Similar amendments have also been proposed in the Bill under the Sales Tax Act, 1990.

### 3(3B)

The Finance Bill 2026 proposes to insert a new sub-Section (3B) in Section 3 whereby Special Excise Duty shall be levied and collected in addition to duty imposed under sub-Section (1), on such goods as listed in Table-IA of the First Schedule to the Act.

Further, a proviso is also proposed to be included wherein the Board may prescribe time, mechanism, procedure, mode and manner of collection for such duty.

The proposed amendment is aimed at broadening the scope by imposition of FED on luxury imported vehicles.

## 7A

## NATIONAL FACELESS CENTRE AND APPLICATION OF THE PROVISIONS OF THE SALES TAX ACT, 1990

The Finance Bill 2026 proposes to insert a new Section 7A for adoption of faceless audit and assessment by the National Faceless Centre and the provisions of Sales Tax Act, 1990 relating to the establishment, assignment of jurisdiction, conduct of audit, assessment and appeals shall apply mutatis mutandis. Further, the Board may establish digitally operated algorithmic settlement mechanism for settlement of proceedings at any stage before any order under this Act is passed and the provisions relating to algorithmic settlement mechanism of the Sales Tax Act, 1990 shall also apply mutatis mutandis.

The proposed new Section has introduced a new concept of faceless audit and assessment by the National Faceless Centre under a centralized AI-driven algorithm tax evaluation model that eliminates direct contact between taxpayers and tax officers. Such a mechanism is proposed to be designed to curb corruption and human bias, whereby cases are algorithmically assigned and masked to ensure anonymity.



**SECTION  
(CLAUSE)  
18(1)**

**THE FEDERAL EXCISE ACT, 2005**

The Finance Bill 2026 proposes to substitute sub-Section (1) of Section 18 of the Act whereby a person registered under the Act shall issue for each transaction an invoice including an advance receipt invoice, bearing a verifiable and unique FBR invoice number at the time of clearance or sale of goods including goods chargeable to duty at the rate of zero per cent or providing or rendering services in Urdu or English language. However, such advance receipt invoice shall only be issued by any person or class of persons who shall be notified by the Board and the time for the applicable condition of verifiable and unique FBR invoice number as notified by the Board.

The proposed substitution intends to rationalize how the invoices including an advance receipt invoice shall be issued under the Act to curb fake/flying invoices.

It has been noted that the term "advance receipt invoice" has not been defined in the Finance Bill.

**19(2)(a)**

The Finance Bill 2026 proposes to substitute the words "Federal Excise Officer" with the words "Officer of Inland Revenue" in clause (a) sub-section (2) of Section 19 of the Act.

**19(4)**

The Finance Bill 2026 proposes to substitute sub-Section (4) of Section 19 of the Act by imposing penalty and punishment with imprisonment or both in case any person who, without the approval of the Commissioner, directly or otherwise destroys, damages, erases or otherwise manipulates data stored in or used in connection with a computer, equipment or system used for the electronic monitoring of production, manufacture, sales, clearance, stocks or any other related activity implemented under this Act and the rules made thereunder, including any production monitoring system, video analytics system.

The proposed substitution intends to enhance the criteria / scope for the purpose of imposing penalty and punishment with imprisonment or both.

**26(1)**

The Finance Bill 2026 proposes to substitute sub-Section (1) of Section 26 of the Act with minor changes so as to include goods which are required to be monitored through a production monitoring system under the Act that are liable to seizure on account of unlawfully manufactured or produced counterfeited cigarettes or beverages and other dutiable goods on which duty of excise has not been paid.

The proposed substitution proposes to further clarify the condition for exercising the power to seize of the Authorized Officer.

**27(1)**

The Finance Bill 2026 proposes to substitute sub-Section (1) of Section 27 of the Act with minor changes so as to include goods which are required to be monitored through a production monitoring system under the Act and the rules made thereunder but are manufactured, produced, transported, removed or otherwise dealt with without such monitoring in the prescribed manner are liable to outright confiscation subject to federal excise duty

The proposed substitution proposes to further clarify the condition for outright confiscation of goods by the Authorized Officer.

**33(1)**

The Finance Bill 2026 proposes to substitute the words "'Federal Excise Officer" with the words "Officer of Inland Revenue" in sub-section (1) of Section 33 of the Act.

**34AA**

**INDEPENDENT CASE SCRUTINY COMMITTEE**

The Finance Bill 2026 proposes to insert a new Section 34AA whereby a reference under Section 34A of the Act before the High Court, or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan shall only be filed by the Commissioner Inland Revenue after the same has been approved by an independent case scrutiny committee as constituted by the Board. The committee constituted shall exercise its powers and functions with effect from the date of its constitution as notified by the Board and shall comprise of the following members:

## SECTION (CLAUSE)

### THE FEDERAL EXCISE ACT, 2005

- (d) a Chairman who shall be a retired judge of the Supreme Court of Pakistan, the Federal Constitutional Court, or any of High Court;
- (e) an Advocate to be nominated from a panel notified by the Board having not less than fifteen years of experience in duty and commercial litigation before the High Court or Supreme Court of Pakistan; and
- (f) a senior serving or retired officer of the FBR (BS 20 or above)

The powers, functions, and procedure of the Committee along with remuneration of its Members shall be governed as may be prescribed.

Recommendations of the committee shall be binding upon the Commissioner Inland Revenue having jurisdiction over the case. Whereas the members of the committee and the Commissioner Inland Revenue having jurisdiction over the case shall have immunity as no suit, prosecution, or other legal proceedings shall lie against them.

The proposed new Section is an institutional mechanism introduced by the Federal Board of Revenue to review and decide whether tax-related departmental appeals should be filed in courts. Its primary goal is to improve the quality of tax litigation and avoid frivolous or unnecessary litigation.

**43A** The Finance Bill 2026 proposes to substitute the words "Federal Excise" with the words "Inland Revenue" in Section 43A of the Act.

**44** The Finance Bill 2026 proposes to substitute the words "Federal Excise Officer" with the words "Officer of Inland Revenue" in Section 44 of the Act.

**45A** The Finance Bill 2026 proposes to substitute sub-Section (1) of Section 26 of the Act with minor changes so as to include services and production monitoring system, video analytics, etc. within the ambit of monitoring or tracking by electronic or other means.

The proposed substitution intends to broaden the scope of monitoring or tracking by electronic or other means so to include services within its ambit as initially only goods were covered therein.

**46** The Finance Bill 2026 proposes to substitute Section 46 of the Act wherein the whole section has been revamped:

1. The Officer Inland Revenue may now conduct multiple audits during the year as the condition to carry out audit once in a year has been removed.
2. A new sub sub-Section (2B) is also proposed be added wherein the Commissioner may conduct audit proceedings electronically through video links, or any other facility as prescribed by the Board.
3. A new proviso has been added in sub-Section (3) wherein further proceedings in the case shall abate in the case registered person deposits the amount of duty not paid, short paid or amount of duty evaded along with default surcharge after issuance of show cause notice under sub-section (1) of section 14, he may deposit such amount along with fifty percent of the amount of penalty prescribed under this Act.
4. A new sub sub-Section (3A) is also proposed be added to Section 46 of the Act wherein the Commissioner has been empowered to direct the registered person to either get (a) the accounts re-audited by an accountant and/or (b) have the inventory re-valued by a cost accountant, after giving the registered person a reasonable opportunity of being heard, and with the previous approval of the Chief Commissioner in case the Commissioner is of the opinion at any stage of the proceedings before him that:



## SECTION (CLAUSE)

## THE FEDERAL EXCISE ACT, 2005

- (f) the nature and complexity of the accounts; or
- (g) volume of the accounts; or
- (h) doubts about the correctness of the accounts; or
- (i) multiplicity of transactions in the accounts; or
- (j) specialized nature of business activity of the registered person, and interests of the revenue

5. Further, an explanation has also been added to sub-Section (3A), i.e. The accountant or the cost accountant, shall be nominated by the Commissioner for the purposes of the said sub-section from amongst the panel of such accountants or cost accountants nominated by the Board.

The proposed substitution intends to broaden the scope of audit by empowering the Commissioner but the power to exercise judgment to have the accounts re-audited and inventory re-valued after approval of the Chief Commissioner would create further controversy and complicate matters leading to litigation.

### Sr. No. 7a

### FIRST SCHEDULE (TABLE-1)

The Finance Bill 2026 proposes to reduce FED on Acetate tow under Sr. No. 7a as below:

| S. No. | Description of Goods | Heading/ sub-heading Number | Existing Rate of Duty             | Proposed Rate of Duty      |
|--------|----------------------|-----------------------------|-----------------------------------|----------------------------|
| 7a     | Acetate tow          | Respective heading          | Rupees forty four thousand per kg | Rupees ten thousand per kg |

### Sr. No. 8a

The Finance Bill 2026 proposes to enhance FED on e-liquid under Sr. No. 8a as below:

| S. No. | Description of Goods                                              | Heading/ sub-heading Number | Existing Rate of Duty                                                                | Proposed Rate of Duty                                                                                 |
|--------|-------------------------------------------------------------------|-----------------------------|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| 8a     | E-liquids by whatsoever name called, for electric cigarette kits. | Respective heading          | Rupees ten thousand per kg or sixty five percent of retail price whichever is higher | Rupees Sixteen Thousand Five Hundred per kg or sixty five percent of retail price whichever is higher |

### Sr. No. 55

The Finance Bill 2026 proposes to extend the existing FED exemption available to imported electric vehicles (4-wheelers) under Sr. No. 55 of Table-I of the First Schedule to the FED Act, 2005.

Under the proposed amendment, the exemption, which was previously available up to June 30, 2026, shall continue to remain available until June 30, 2027.

The extension is intended to promote the adoption of electric vehicles and support the Government's environmental and clean energy objectives.

### Sr. No. 55A

The Finance Bill 2026 proposes the insertion of a new Sr. No. 55A in Table-I of the First Schedule to the FED Act, 2005, whereby imported electric cars, electric SUVs, and electric pickup vehicles imported in Completely Built Unit (CBU) condition for personal use shall be subject to FED based on their customs import value. The new insertion is as under:

## SECTION (CLAUSE)

## THE FEDERAL EXCISE ACT, 2005

| S. No. | Description of Goods                                                                                                              | Heading/ sub-heading Number | Existing Rate of Duty |
|--------|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------|
| 55A    | Electric cars, electric SUVs, and electric pickup vehicles, imported for personal use in CBU condition, of import including Duty: |                             |                       |
|        | (a) value Custom Not exceeding PKR 20 million                                                                                     | Respective heading          | 0%                    |
|        | (b) exceeding PKR 20 million and upto PKR 30 million                                                                              |                             | 30%                   |
|        | (c) exceeding PKR 30 million                                                                                                      |                             | 40%                   |

### Sr. No. 55B

The Finance Bill 2026 proposes to extend the existing FED exemption available to locally electric vehicles (4-wheelers) under Sr. No. 55 of Table-I of the First Schedule to the FED Act, 2005.

Under the proposed amendment, the exemption, which was previously available up to June 30, 2026, shall continue to remain available until June 30, 2027.

The extension is intended to promote the adoption of electric vehicles and support the Government's environmental and clean energy objectives.

### Sr. No. 59

The Finance Bill 2026 proposes to broaden the exemption by including hydration drinks and electrolyte beverages that are specifically formulated for hydration and electrolyte replenishment and do not contain sugar exceeding 5g per 100ml or artificial sweeteners.

The amendment is intended to encourage healthier beverage options by excluding such products from the scope of the levy.

### Sr. No. 63

The Finance Bill 2026 proposes to include lubricating oils under Sr. No. 63 (thereby bringing lubricating oils and base oils within the scope of the applicable levy regime. The amendment appears to clarify the classification of lubricating oils for taxation purposes and ensure uniform treatment of such products under the relevant tariff entry.

### Sr. No. 65

The Finance Bill 2026 proposes to expand list of FED as under:

| S. No. | Description of Goods                            | Heading/ sub-heading Number | Proposed Rate of Duty |
|--------|-------------------------------------------------|-----------------------------|-----------------------|
| 65     | (i) Petroleum top Naphtha                       | 2710.1942                   | Rs. 80 per liter      |
|        | (ii) White Spirit/ Mineral Turpentine Oil (MTT) | 2710.1240                   | Rs. 80 per liter      |
|        | (iii) Solvent Oil                               | 2710. 1250                  | Rs. 80 per liter      |

## Restriction 2

### Brand variants at different Price Point

The Finance Bill 2026 proposes to revise the existing restriction on cigarette pricing by providing that no manufacturer or importer shall introduce or sell a new variant of an existing cigarette brand at a price lower than the lowest actual price of the existing brand prevailing on the date of announcement of the Budget for the current financial year.



**SECTION  
(CLAUSE)**

**THE FEDERAL EXCISE ACT, 2005**

**FIRST SCHEDULE (TABLE 1A)**

The Finance Bill 2026 proposes to introduce Table-IA of the First Schedule to the FED Act 2005, relating to imported motor cars, SUVs, and other motor vehicles (excluding auto rickshaws) principally designed for the transport of persons as under:

| S. No. | Description of Goods                                                                                                                                                                                                                                                                                                   | Heading/ sub-heading Number     | Existing Rate of Duty |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------|
| 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), and till the 30th day of June, 2027 electric vehicles (4-wheelers) including station wagons, double cabin (4x4) pickup vehicles and racing cars: | 87.03<br>8704.2190<br>8704.3190 |                       |
|        | (a) of cylinder capacity exceeding 2000cc but not exceeding 3000cc                                                                                                                                                                                                                                                     |                                 | 40% ad Val            |
|        | (b) of cylinder capacity exceeding 3000cc                                                                                                                                                                                                                                                                              |                                 | 41% ad val            |

**FIRST SCHEDULE (TABLE-II)**

The Finance Bill 2026 proposes a significant reduction in the fixed Federal Excise Duty applicable on club, business, and first-class international air tickets issued on or after July 1, 2026.

The proposed amendment reduces the duty across all IATA Traffic Conference Areas, including destinations in the Americas, the Middle East and Africa, Europe, and the Asia-Pacific region. The reduction is expected to lower the tax burden on premium-class international air travel and rationalize the existing FED structure applicable to air tickets.

The reduction of duty as under:

| S. No. | Description of Goods                                                                          | Heading/ sub-heading Number | Existing Rate of Duty                       | Proposed Rate of Duty              |
|--------|-----------------------------------------------------------------------------------------------|-----------------------------|---------------------------------------------|------------------------------------|
| 3(ii)  | (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)               |                             | (a) Three hundred and fifty thousand rupees | (a) Fifty thousand rupees          |
|        | (b) IATA Traffic Conference Area 2                                                            |                             |                                             |                                    |
|        | (I) Middle East and Africa                                                                    |                             | (b)(I) One hundred and five thousand rupees | (b)(I) Twenty-five thousand rupees |
|        | b(II) Europe                                                                                  |                             |                                             | (b)(II) Forty thousand             |

## SECTION (CLAUSE)

## THE FEDERAL EXCISE ACT, 2005

|  |                                                                                           |  |                                                                                              |                           |
|--|-------------------------------------------------------------------------------------------|--|----------------------------------------------------------------------------------------------|---------------------------|
|  | (c) IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands) |  | (b)((II) Two hundred and ten thousand rupees<br><br>(c) Two hundred and ten thousand rupees] | (c) Forty thousand rupees |
|--|-------------------------------------------------------------------------------------------|--|----------------------------------------------------------------------------------------------|---------------------------|

Sr.No.5

## SECOND SCHEDULE

The Finance Bill 2026 proposes to bring Petroleum Top Naphtha, White Spirit/Mineral Turpentine Oil (MTT), and Solvent Oil under the tax mode regime. As a result, the Federal Excise Duty paid on these products shall be adjustable against sales tax liability, and vice versa, thereby facilitating input adjustment and harmonizing the indirect tax treatment of these products. The new insertion as under:

| S. No. | Imported and locally purchased                  | Heading/ sub-heading Number |
|--------|-------------------------------------------------|-----------------------------|
| 5      | (i) Petroleum top Naphtha                       | 2710.1942                   |
|        | (ii) White Spirit/ Mineral Turpentine Oil (MTT) | 2710.1240                   |
|        | (iii) Solvent Oil                               | 2710. 1250                  |

Sr.No.28

## THIRD SCHEDULE (TABLE I)

The Finance Bill 2026 proposes to introduce a new conditional exemption in the Third Schedule to the Federal Excise Act, 2005 for the import of specified vehicles by the Federal Government.

Under the proposed exemption, vehicles imported by the Federal Government for logistics arrangements relating to the Shanghai Cooperation Organization (SCO) Summit shall be exempt from Federal Excise Duty, subject to prior approval of the Ministry of Foreign Affairs and the Ministry of Interior and Narcotics Control.

The exemption is also proposed to be extended to vehicles imported by the Federal Government or a Provincial Government to address security threats against public functionaries, as determined by the Ministry of Interior and Narcotics Control and approved by the Federal Government.

The amendment aims to facilitate official logistics and security arrangements by providing conditional relief from Federal Excise Duty on the import of such vehicles.



## SECTION (CLAUSE)

## THE CUSTOMS ACT, 1969

The Finance Bill, 2026 proposes extensive amendments to the Customs Act, 1969. These changes represent a comprehensive effort to modernize the customs framework by restructuring the administrative framework for greater efficiency, leveraging technology for enhanced monitoring, facilitating legitimate trade, and strengthening enforcement, adjudication, and appellate mechanisms..

### 2 DEFINITIONS

In Section 2, after clause (ssss), the following new clause shall be inserted in the Finance Bill proposed amendments:

“(ssssa) ‘State Warehouse’ means any place authorized by the Collector of Customs for the storage of detained, seized, or confiscated goods.”

### 19 GENERAL POWER TO EXEMPT FROM CUSTOMS-DUTIES

The Bill proposes to amend sub-section (5) by substituting the figure “2026” with the figure “2027” in the second proviso, wherever the figure “2026” appears in the second proviso to sub-section (5), it shall be replaced with the figure “2027”, thereby extending the applicability of the provision by one year.

### 32 FALSE STATEMENT, ERROR, ETC.

The Finance Bill proposes amendments seek to remove the words “in a case” from the first proviso to sub-section (3) and from the proviso to sub-section (3A), thereby streamlining the language of the provisions without altering their substantive effect.

### 80 CHECKING OF GOODS DECLARATION BY THE CUSTOMS

The proposed amendments seek to expand the scope of the provision by expressly recognizing the scanning of goods, in addition to their physical examination, for the purpose of compliance with the relevant customs procedures.

### 82 Procedure in case of goods not cleared or warehoused or transshipped or exported or removed from the port after unloading or filling of declaration.

#### Sub-section (1) The Finance Bill proposes the following amendments:

- (i) for the words “Federal Government”, the word “Board” shall be substituted; and
- (ii) in the first proviso, after the word “waive”, the words “or reduce” shall be inserted, and for the full stop at the end a colon shall be substituted. Thereafter, the following new proviso shall be added, namely:—

“Provided further that the Board may notify rules to regulate the implementation of the above provisions, including the process of appeal against imposed penalties and the Customs stations, goods, or class of goods where the provisions of sub-section (1) shall not be applicable.”

The proposed amendments seek to substitute the Federal Government with the Board as the competent authority and to empower the Board to waive or reduce penalties. The amendment further enables the Board to frame rules governing implementation, including appeal procedures and exclusions from the applicability of sub-section (1).

#### Sub-section (2) The proposed amendment empowers the Board to authorize any person to conduct auctions of auctionable goods, subject to the procedure and manner as may be prescribed by the Board through notification.

## SECTION (CLAUSE)

## THE CUSTOMS ACT, 1969

156

### OFFENCES AND PENALTIES

#### Sub-section (1)

The Finance Bill proposes to increase the penalty for non-compliance with delay and detention certificates issued by an officer of Customs from Rs. 500,000 to Rs. 10 million. The penalty applies to port authorities, agencies, and persons managing or owning customs ports, customs airports, land customs stations, and container freight stations that fail to entertain such certificates.

The proposed Bill seeks to insert a new Serial No. 62A after Serial No. 62 in the relevant penalty provisions. Under the proposed amendment, any person found to be involved in, or abetting, the removal, substitution, damage, or other tampering with any goods, whether confiscated or otherwise, kept at a place authorized by the Collector of Customs as a State Warehouse, shall be subject to penal consequences.

Such person shall be liable to a penalty not exceeding two times the value of the goods involved. In addition, upon conviction by a Special Judge, the person shall be liable to imprisonment for a term not exceeding five years, or to a fine, or to both.

Further, the Bill proposes to amend Serial No. 83 by substituting the existing entry in the second column with the following:

“If an officer of any authority, who is required under section 170 to deposit the impugned goods with Customs, fails or neglects to do so.”

Accordingly, the scope of the provision is proposed to cover any officer of an authority who is under a statutory obligation to deposit impugned goods with Customs under section 170 but fails to comply with such obligation.

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### EXTENT OF CONFISCATION.

#### Sub-section (2)

The Finance Bill proposed seeks to broaden and clarify the scope of the term “removal” by expressly including a wide range of activities associated with the handling and movement of smuggled goods. The amendment is proposed to have retrospective effect, as indicated by the phrase “shall be deemed always to have included”

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### PROCEDURE IN RESPECT OF THINGS SEIZED ON SUSPICION

The Bill proposed substitution seeks to establish a clear mechanism for the transfer of goods liable to confiscation under the Customs Act from other enforcement or regulatory authorities to Customs. The amendment provides that, notwithstanding any proceedings pending under other laws, such authorities shall be required to deposit the impugned goods with Customs upon written intimation by the customs authorities, thereby facilitating confiscation and other proceedings under the Act.

179

### POWER OF ADJUDICATION

The Bill proposed amendment empowers the Board to introduce a faceless adjudication mechanism for customs proceedings. Under this framework, adjudication may be conducted through virtual means without requiring physical interaction between the adjudicating officer and the respondent, in accordance with procedures prescribed by the Board.



## SECTION (CLAUSE)

## THE CUSTOMS ACT, 1969

### 185 (A)

### COGNIZANCE OF OFFENCES BY SPECIAL JUDGES

The Finance Bill proposes to insert the following new sub-section (6) after sub-section (5):

“(6) Where a Special Judge, during the trial of an offence punishable under this Act, is satisfied that there are reasonable grounds 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.”

The proposed amendment empowers the Special Judge, during the course of trial, to order the freezing of assets where there are reasonable grounds to believe that the accused has been involved in illegal cross-border transfer of funds. Such order may extend to assets held directly by the accused or held by any other person on his behalf.

### 196J

### DEFINITIONS.

The Finance Bill proposes to insert a new section 196JJ titled “Independent Case Scrutiny Committee”, as follows: “196JJ. Independent case scrutiny committee.—

(1) 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 the Collector or Director of Customs, or any officer of Customs not below the rank of Deputy Collector or Deputy Director authorized in writing by the Collector or Director of Customs, subject to prior approval by an Independent Case Scrutiny Committee constituted by the Board under sub-section (3).

(2) The Board may constitute one or more such committees and assign jurisdiction to them. Such committees shall exercise their powers and functions in such manner, and from such date, as may be notified by the Board.

(3) The Independent Case Scrutiny Committee shall comprise the following members, namely:—

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

(4) The members shall receive such remuneration as may be prescribed by the rules.

(5) The recommendations of the Committee shall be binding on the concerned Collector or Director of Customs.

(6) No suit, prosecution, or other legal proceedings shall lie against the members of the Committee in respect of decisions made under this section.”

The proposed provision seeks to introduce a pre-litigation approval mechanism for customs-related appellate and constitutional proceedings, requiring clearance from an Independent Case Scrutiny Committee before such matters are instituted by the Customs authorities. The Committee's recommendations are intended to be binding, and members are granted statutory protection from legal proceedings for actions taken in discharge of their functions.

### 215

### SERVICE OF ORDER, DECISION, SUMMONS OR NOTICE, ETC.

The Bill proposed amendment seeks to expand the modes of service by allowing service of orders, decisions, summons or notice/process in accordance with the procedure prescribed for service of summons under the Code of Civil Procedure, 1908.

## SECTION (CLAUSE)

## SCHEDULES

## THE CUSTOMS ACT, 1969

### CUSTOMS ACT AND ALLIED NOTIFICATIONS

The revised First Schedule and Fifth Schedule to the Customs Act, 1969, along with the relevant notifications pertaining to Additional Customs Duty (ACD) and Regulatory Duty (RD), have not yet been made available on the Federal Board of Revenue's website.

The proposed tariff measures are anchored in the National Tariff Policy (NTP) 2025–30, which emphasizes strategic tariff rationalisation aimed at reducing the cost of industrial inputs, simplifying the tariff structure, and promoting trade facilitation, while also providing targeted relief to public health and priority economic sectors.

### RATIONALIZATION OF CUSTOMS DUTY UNDER THE FIRST SCHEDULE

The Finance Bill proposes reduction in customs duty rates on raw materials and input goods used by various industrial sectors, covering 92 tariff lines across different Chapters of the Pakistan Customs Tariff, as follows:

| Existing rate of Customs duty | Proposed rate of Customs duty |
|-------------------------------|-------------------------------|
| 20%                           | 15% or 10%                    |
| 15%                           | 10%                           |
| 10%                           | 5%                            |
| 5%                            | 0%                            |

Additionally, fifteen new PCT codes have been introduced, and the descriptions of two existing PCT codes have been amended for trade facilitation and statistical purposes.

### AMENDMENTS PROPOSED IN FIFTH SCHEDULE (CONCESSION / EXEMPTION)

As part of a comprehensive review of the exemption regime under the Fifth Schedule to the Customs Act, 1969, the following changes have been proposed:

- Deletion of entries from the Fifth Schedule where the concessionary rate of customs duty (CD) is equal to or exceeds the general tariff rate prescribed under the First Schedule.
- Exemption of customs duty (CD) on critical cancer-related active pharmaceutical ingredients.
- Reduction of customs duty from 20% to 10% on specialized construction-related vehicles for the construction sector.
- Exemption of customs duty on import of defense-related goods.
- Exemption of customs duty (CD), additional customs duty (ACD), and regulatory duty (RD) on import of agricultural machinery.
- Exemption of customs duty on import of bullet-proof vehicles for the Shanghai Cooperation Organization (SCO) Summit, and on import of bullet-proof vehicles by the Federal or Provincial Government for ongoing operations in the war against terrorism.



## SECTION (CLAUSE)

## THE CUSTOMS ACT, 1969

The proposed amendments have been made through the salient features issued along with the Finance Bill, 2026, as follows:

### Additional Customs Duty:

- Reduction from 6% to 4% on 449 tariff lines.
- Reduction from 4% to 2% on 2,107 tariff lines.
- Elimination from 2% to 0% on 569 tariff lines.

### Regulatory Duty (RD):

- Regulatory Duty rates exceeding 20% to be brought down and capped at 20% on 359 tariff lines.
- 20% reduction across all RD rates between 2.5% and 20% on 1,347 tariff lines.

Regulatory Rates of 2.5%, 2% and 1% to be reduced by 20% or eliminated on 208 tariff lines.

## FIRST SCHEDULE

The proposed amendments set out in the First Schedule to this Act shall be made in the First Schedule to the Customs Act, 1969 (IV of 1969).

## FIFTH SCHEDULE

The Fifth Schedule to the Customs Act, 1969 (IV of 1969), shall be substituted in the manner provided for in the Second Schedule to this Act as proposed by Finance bill, 2026.

## SECTION (CLAUSE)

## PETROLEUM PRODUCTS (PETROLEUM LEVY AND CLIMATE SUPPORT LEVY) ORDINANCE, 1961

2(1)

### Company

The Finance Bill proposes to substitute the definition of 'company' by replacing the reference to entities specified in the Second Schedule with 'oil marketing companies' and persons licensed by OGRA for manufacturing, refining, or reclaiming lubricating oil. The amendment seeks to align the Ordinance with the prevailing petroleum regulatory framework and facilitate more effective administration and enforcement of the levy provisions.

2(4E)

### Oil Marketing Company

Through Finance Bill 2026, a new Clause defining Oil Marketing Company is proposed to shall be inserted after omitted Clause 4D, which is reproduced below:

"Oil Marketing Company" means a company, other than a lubricant marketing company, engaged in purchasing or obtaining of petroleum products from refineries or blending plants or through sources abroad for selling, distributing or marketing, directly through his agents or dealers at his dispensing outlets or filling stations; and

2(4F)

### OGRA

Through Finance Bill 2026, a new Clause defining Oil & Gas Regulatory Authority is proposed to be inserted, which is reproduced as below:

"OGRA" means the Oil and Gas Regulatory Authority of Pakistan established under the under the Oil and Gas Regulatory Authority Ordinance, 2002 (Ordinance XVII of 2002)

2(7)

### Refinery

The Finance Bill 2026 proposes to substitute Clause 7 with a general definition of "Refinery" which is reproduced below:

"refinery" means a facility or industrial plant where crude oil is refined to produce petroleum products.

Previously, the definition was restricted to specific entities expressly listed in the Ordinance. The amendment seeks to replace the enumerated list with a broader and more flexible definition, thereby ensuring consistency with the prevailing regulatory framework.

3(1)

### Mandatory Licensing Condition

The Finance Bill 2026 proposes to substitute subsection (1) of section 3 to make payment of Petroleum Levy and Climate Support Levy on petroleum products at such rates as may be notified by the Federal Government in the official Gazette, a mandatory condition of licenses issued by OGRA. The amendment seeks to strengthen enforcement and ensure effective collection of the levies from all licensed entities operating in the petroleum sector.

3(3)

### Recovery of amount Due (Omitted)

The Finance Bill 2026 proposes to omit subsection 3, the omitted section is reproduced below:

"Any amount due and payable under sub-section (1) and not paid within the time allowed by the Federal Government, or any officer authorized by it in that behalf, shall be recoverable as an arrear of land revenue."

3B.

### Late Payment Surcharge

The Finance Bill 2026 proposes to insert a new section for the imposition of a late payment surcharge on unpaid Petroleum Levy and Climate Support Levy. The surcharge shall apply where the levy is not paid within by



## SECTION (CLAUSE)

### PETROLEUM PRODUCTS (PETROLEUM LEVY AND CLIMATE SUPPORT LEVY) ORDINANCE, 1961

due date and shall be calculated in accordance with sub-section (1) of section 40D of the Public Finance Management Act, 2019. The proposed amendment is intended to promote timely compliance and improve recovery of levy dues. As per Section 40D, the Finance Division is authorized to prescribe procedure for levy and collection of the surcharge.

## 3C

### Recovery of amounts due under this Ordinance

The Finance Bill 2026 proposes to insert a new section providing a dedicated recovery mechanism for unpaid Petroleum Levy, Climate Support Levy, and related late payment surcharge. Under the proposed provision, where such amounts remain unpaid for more than ninety days, the relevant department responsible for collection may request the Commissioner Inland Revenue to recover the outstanding dues in the same manner as income tax arrears under the Income Tax Ordinance, 2001 or rules made thereunder.

The Commissioner Inland Revenue shall, however, shall have no authority to grant an extension of time for payment or allow payment in instalments.

The proposed provision further requires the Commissioner Inland Revenue to submit fortnightly reports to the Finance and Petroleum Divisions regarding the progress of recovery proceedings. In cases where recovery efforts are unsuccessful, the Commissioner Inland Revenue shall be required to provide written reasons for the failure to recover the outstanding amounts.

The proposed amendment also extends the recovery mechanism to outstanding levy and surcharge amounts that became due prior to the enactment of the Finance Act, 2026, with the objective of strengthening enforcement and ensuring effective recovery of levy dues.

## 4A

### Mandatory Reporting Mechanism for Petroleum Levy and Climate Support Levy Payments

The Finance Bill 2026 proposes to insert a new section requiring every company, refinery, and licensee to submit monthly statements regarding the payment of Petroleum Levy and Climate Support Levy on the sale of petroleum products, supported by relevant documentary evidence and sales invoices filed with the Federal Board of Revenue.

In addition, such entities shall be required to furnish an annual audit certificate, issued by an Authorized Audit Firm, certifying the accuracy of the levies accrued and paid under the Ordinance.

The costs of the audit shall be borne by the respective company, refinery, or licensee.

The proposed amendment seeks to enhance transparency, strengthen monitoring of levy payments, and ensure compliance through periodic reporting and independent verification.

## Second Schedule

### List of Companies

Through Finance Bill 2026, the Second Schedule to the Petroleum Products (Petroleum Levy and Climate Support Levy) Ordinance 1961 is proposed to be omitted. The omitted Schedule is reproduced below:

1. M/s. Pakistan State Oil Company Ltd.
2. M/s. Caltex Oil (Pakistan) Ltd.
3. M/s. Shell (Pakistan) Ltd.
4. M/s/ Attock Refinery Ltd.
5. M/s. Pakistan Oil-fields Limited, Rawalpindi.
6. M/s. Attock Petroleum Ltd. Islamabad.
7. M/s. Pakistan Arab Refinery Company Ltd. (PARCO).
8. M/s. TOTAL-PARCO Pakistan Ltd.
9. M/s. Bosiear Pakistan Ltd.
10. M/s. Admore Gas (Pvt.) Ltd.
11. M/s. Hascombe Storage (Pvt.) Ltd.
12. M/s. Askar Oil Services (Pvt.) Ltd.



**SECTION  
(CLAUSE)**

**PETROLEUM PRODUCTS (PETROLEUM LEVY AND CLIMATE SUPPORT LEVY) ORDINANCE, 1961**

13. Sui Northern Gas Pipelines Limited
14. Sui Southern Gas Company Limited

**Fourth Schedule**

**List of Refineries**

Through Finance Bill 2026, the Fourth Schedule to the Petroleum Products (Petroleum Levy and Climate Support Levy) Ordinance 1961 is proposed to be omitted. The omitted Schedule is reproduced below:

1. Attock Oil Refinery Ltd., Rawalpindi.
2. Pakistan Refinery Ltd., Karachi.
3. National Refinery Ltd., Karachi.
4. Dhodak Refinery.
5. Pak Arab Refinery Ltd. Muzzaffargarh.
6. Bosicor Pakistan Ltd.





**SECTION  
(CLAUSE)**

**WEST PAKISTAN MOTOR VEHICLES TAXATION ACT, 1958**

**Schedule -Table-2 Token Tax on Motor Vehicles**

The Finance Bill 2026 proposes to revise the rates of token tax applicable to motor vehicles in the Islamabad Capital Territory (ICT) by substituting Table-2 of the Schedule as reproduced below:

| S. No. | Category                             | Proposed Tax Rates for ICT |
|--------|--------------------------------------|----------------------------|
| (1)    | (2)                                  | (3)                        |
| 1      | Engine capacity upto 1000 CC         | 20,000                     |
| 2      | Engine capacity from 1001 to 1300 cc | 0.25 % of Invoice Value    |
| 3      | Engine capacity from 1301 to 1500 cc | 0.25 % of Invoice Value    |
| 4      | Engine capacity from 1501 to 2000 cc | 0.25 % of Invoice Value    |
| 5      | Engine capacity from 2001 to 2500 cc | 0.35 % of invoice Value    |
| 6      | Engine capacity from 2501 and above  | 0.35 % of invoice Value    |

**Schedule -Table-3 Motor Cabs**

The Finance Bill 2026 proposes to revise the rates of tax on Motor Cabs in the Islamabad Capital Territory (ICT) by substituting Table-3 of the Schedule as reproduced below:

| S. No. | Category                                  | Proposed Tax Rates for ICT |
|--------|-------------------------------------------|----------------------------|
| (1)    | (2)                                       | (3)                        |
| 1      | Engine capacity upto 1000 CC              | 600                        |
| 2      | Exceeding 1000cc but not more than 1300cc | 1,000                      |
| 3      | Exceeding 1300cc but not more than 1500cc | 1,700                      |
| 4      | Exceeding 1500cc but not more than 2000cc | 2,500                      |
| 5      | Exceeding 2000cc but not more than 2500cc | 3,400                      |
| 6      | Exceeding 2500cc                          | 4,200                      |

**Schedule -Table-4 Public Service Vehicle**

The Finance Bill 2026 proposes to revise the rates of tax on Public Service Vehicles in the Islamabad Capital Territory (ICT) by substituting Table-4 of the Schedule as reproduced below:

| S. No. | Category            | Proposed Tax Rates in ICT Per Seat Per Annum |
|--------|---------------------|----------------------------------------------|
| (1)    | (2)                 | (3)                                          |
| 1      | Vehicle (8 seater)  | 350                                          |
| 2      | Vehicle (13 seater) | 400                                          |
| 3      | Vehicle (15 seater) | 500                                          |
| 4      | Vehicle (16 seater) | 600                                          |
| 5      | Vehicle (42 seater) | 700                                          |

|   |                     |     |
|---|---------------------|-----|
| 6 | Vehicle (52 seater) | 850 |
|---|---------------------|-----|

**SECTION  
(CLAUSE)**

**WEST PAKISTAN MOTOR VEHICLES TAXATION ACT, 1958**

**Schedule -Table-5**

**Commercial Vehicles/ Loading Vehicles**

The Finance Bill 2026 proposes to revise the rates of tax on Commercial Vehicles/ Loading Vehicles in the Islamabad Capital Territory (ICT) by substituting Table-5 of the Schedule as reproduced below:

| S. No. | Category                                                                                                                 | Proposed Rates |
|--------|--------------------------------------------------------------------------------------------------------------------------|----------------|
| (1)    | (2)                                                                                                                      | (3)            |
| 1      | Vehicles not exceeding 1250 KG in laden weight                                                                           | 500            |
| 2      | Vehicles with maximum laden capacity exceeding 1250 KG but not exceeding 2030 KG                                         | 1,000          |
| 3      | Vehicles with maximum laden capacity exceeding 2030 KG but not exceeding 4060 KG                                         | 1,000          |
| 4      | Vehicles with maximum laden capacity exceeding 4060 KG but not exceeding 6090 KG                                         | 6,600          |
| 5      | Vehicles with maximum laden capacity exceeding 6090 KG but not exceeding 8120 KG                                         | 6,600          |
| 6      | Vehicles with maximum laden capacity exceeding 8120 KG                                                                   | 12,000         |
| 7      | Vehicles with maximum laden capacity exceeding 8120 Kg, but not exceeding 12000 Kg                                       | 12,000         |
| 8      | Vehicles with long trailers or other vehicles with maximum laden capacity exceeding 12000 Kg, but not exceeding 16000 Kg | 18,000         |
| 9      | Vehicles with long trailers or other vehicles with maximum laden capacity exceeding 16000 Kg                             | 24,000         |
| 10     | Tractor (With trolley)                                                                                                   | 2,600          |
| 11     | Tractor (Without trolley)                                                                                                | 2,600          |



## OTHER SECP AMENDMENTS

### 1. Summary of S.R.O. 1356(I)/2025 – Amendments to the Companies Regulations, 2024

SECP has issued S.R.O. 1356(I)/2025 dated 25 July 2025, introducing amendments to the Companies Regulations, 2024. The amendments primarily strengthen Ultimate Beneficial Ownership (UBO) disclosure requirements and enhance corporate transparency. Companies are now required to collect and maintain additional UBO particulars, including date of birth, gender, CNIC/passport issue and expiry dates, and residential addresses. A new Register of UBO (Register R-9) has been introduced and companies must maintain and report UBO information to SECP through prescribed forms. The amendments also require annual issuance of Form-16 notices to members for obtaining UBO information. Significant changes have been made to Forms 1, 2, 3, 9, 16, 17 and 19, requiring expanded disclosures relating to directors, officers, shareholders and beneficial owners. Form-A has also been revised to include additional corporate information such as turnover, employee data, company classification and business sector details. Companies are required to verify the identity of beneficial owners and report any changes in UBO particulars within prescribed timelines. These amendments are applicable for financial years ending on or after 30 June 2025 and aim to improve compliance, transparency and regulatory oversight.

### 2. Conversion & issuance of shares in book-entry form.

The requirement for book-entry shares arises under Section 72 of the Companies Act, 2017. It is further governed by Regulation 44 of the Companies Regulations, 2024. In continuation of the earlier notification S.R.O. 246(I)/2025 dated February 27, 2025, the SECP has issued S.R.O. 328(I)/2026 dated February 19, 2026, whereby it has been made mandatory for all public unlisted and private limited companies to convert their physical shares into book-entry form prior to undertaking any share-related transaction. The procedure ensures a structured transition from physical shareholding to a fully electronic system. Compliance with these procedures is mandatory for all public unlisted and private limited companies to facilitate transparency, efficiency, and regulatory adherence in share-related transactions.

### 3. Issuance of Certificate of Statutory Compliances (CSC)

The Securities and Exchange Commission of Pakistan (SECP), through S.R.O. 875(I)/2026 dated 13 May 2026, has introduced the Certificate of Statutory Compliance (CSC) under Section 510 of the Companies Act, 2017. The CSC is intended to provide an official confirmation regarding the statutory compliance status of companies based on the records maintained by the Commission. The introduction of the Certificate of Statutory Compliance is expected to improve transparency, facilitate regulatory verification, and support stakeholders including investors, financial institutions, and business partners in assessing a company's regulatory standing.

### 4. Mandatory Issuance of Digitally Certified True Copies with QR Code.

Through this instructions SECP discontinued of issuance of Certified True Copies and ensure registrar to issue Certified True Copies of all recorded /registered documents are issued exclusively in digital form bearing QR code authentication. SECP are also advised to ensure adequate awareness to the general public and train internal staff regarding this transition.

# INFORMATION ABOUT WITHHOLDING TAXES

## APPENDIX – I

| SECTION REFERENCE | NATURE OF PAYMENT/ TRANSACTION                                                                                                                                                      | TAX RATE (%/Rs)                                                                                                        | Not on ATL | DEDUCTING/ COLLECTING AUTHORITY | WITHHOLDING TAX ADJUSTABLE/ FINAL |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|------------|---------------------------------|-----------------------------------|
| 148               | Import of goods                                                                                                                                                                     | 1% of the import value as increased by customs-duty, sales tax and federal excise duty                                 | 2%         | Collector of Customs            | Minimum Tax                       |
|                   | Persons importing goods classified in Part I of the Twelfth Schedule                                                                                                                | 2% of the import value as increased by customs-duty, sales tax and federal excise duty                                 | 4%         |                                 |                                   |
|                   | Persons commercial importer goods classified in part-II of Twelfth schedule                                                                                                         | 3.5% of the import value as increased by customs-duty, sales tax and federal excise duty                               | 7%         |                                 |                                   |
|                   | Persons importing goods classified in Part III of the Twelfth Schedule                                                                                                              | 5.5 % of the import value as increased by customs-duty, sales tax and federal excise duty and                          | 11%        |                                 |                                   |
|                   |                                                                                                                                                                                     | 6% of the import value as increased by customs-duty, sales tax and federal excise duty in case of commercial importer" | 12%        |                                 |                                   |
|                   | Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011; | 1%                                                                                                                     | 2%         |                                 |                                   |
|                   | Persons importing finished pharmaceutical products that are not manufactured otherwise in Pakistan, as certified by the Drug Regulatory Authority of Pakistan                       | 4%                                                                                                                     | 8%         |                                 |                                   |
|                   | Person Importer of CKD kits of electric vehicles for small cars or SUVs with 50 kwh battery or below and LCVs with 150 kwh battery or below.                                        | 1%                                                                                                                     | 2%         |                                 |                                   |



| S. No. | C & F Value of mobile phone (in US Dollar)            | Tax (in Rs)                            |                                                  |
|--------|-------------------------------------------------------|----------------------------------------|--------------------------------------------------|
|        |                                                       | In CBU condition PCT Heading 8517.1219 | In CKD/SKD condition under PCT Heading 8517.1211 |
| (1)    | (2)                                                   | (3)                                    | (4)                                              |
| 1      | Up to 30 except smart phones                          | 70                                     | 0                                                |
| 2      | Exceeding 30 and up to 100 and smart phones up to 100 | 100                                    | 0                                                |
| 3      | Exceeding 100 and up to 200                           | 930                                    | 0                                                |
| 4      | Exceeding 200 and up to 350                           | 970                                    | 0                                                |
| 5      | Exceeding 350 and up to 500                           | 5,000                                  | 3000                                             |
| 6      | Exceeding 500                                         | 11,500                                 | 5,200                                            |

| Business Individual & AOP | Rate of tax for Individual and Association of Person                         |                                                           |
|---------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------|
|                           | Taxable Income                                                               | Rate of Tax                                               |
|                           | Where the taxable income does not exceed Rs. 600,000                         | 0%                                                        |
|                           | Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000   | 15% of the amount exceeding Rs. 600,000                   |
|                           | Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,600,000 | Rs. 90,000 + 20% of the amount exceeding Rs. 1,200,000    |
|                           | Where taxable income exceeds Rs. 1,600,000 but does not exceed Rs. 3,200,000 | Rs. 170,000 + 30% of the amount exceeding Rs. 1,600,000   |
|                           | Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 5,600,000 | Rs. 650,000 + 40% of the amount exceeding Rs. 3,200,000   |
|                           | Where taxable income exceeds Rs. 5,600,000                                   | Rs. 1,610,000 + 45% of the amount exceeding Rs. 5,600,000 |

| 149 | Rate of tax of Salaried Individual                                           |                                                           |
|-----|------------------------------------------------------------------------------|-----------------------------------------------------------|
|     | Taxable Income                                                               | Rate of Tax                                               |
|     | Where the taxable income does not exceed Rs. 600,000                         | 0%                                                        |
|     | Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000   | 1% of the amount exceeding Rs. 600,000                    |
|     | Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000 | Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000     |
|     | Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000 | Rs. 116,000 + 20% of the amount exceeding Rs. 2,200,000   |
|     | Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000 | Rs. 316,000 + 25% of the amount exceeding Rs. 3,200,000   |
|     | Where taxable income exceeds Rs. 4,100,000 but does not exceed Rs. 5,600,000 | Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000   |
|     | Where taxable income exceeds Rs. 5,600,000 but does not exceed Rs. 7,000,000 | Rs. 976,000 + 32% of the amount exceeding Rs. 5,600,000   |
|     | Where taxable income exceeds Rs. 7,000,000                                   | Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000 |

# INFORMATION ABOUT WITHHOLDING TAXES

## APPENDIX – I

| SECTION REFERENCE | NATURE OF PAYMENT/ TRANSACTION                                                                                                                                                      | TAX RATE (%/Rs)                                                                                                        | Not on ATL | DEDUCTING/ COLLECTING AUTHORITY | WITHHOLDING TAX ADJUSTABLE/ FINAL |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|------------|---------------------------------|-----------------------------------|
| 148               | Import of goods                                                                                                                                                                     | 1% of the import value as increased by customs-duty, sales tax and federal excise duty                                 | 2%         | Collector of Customs            | Minimum Tax                       |
|                   | Persons importing goods classified in Part I of the Twelfth Schedule                                                                                                                | 2% of the import value as increased by customs-duty, sales tax and federal excise duty                                 | 4%         |                                 |                                   |
|                   | Persons commercial importer goods classified in part-II of Twelfth schedule                                                                                                         | 3.5% of the import value as increased by customs-duty, sales tax and federal excise duty                               | 7%         |                                 |                                   |
|                   | Persons importing goods classified in Part III of the Twelfth Schedule                                                                                                              | 5.5 % of the import value as increased by customs-duty, sales tax and federal excise duty and                          | 11%        |                                 |                                   |
|                   |                                                                                                                                                                                     | 6% of the import value as increased by customs-duty, sales tax and federal excise duty in case of commercial importer" | 12%        |                                 |                                   |
|                   | Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011; | 1%                                                                                                                     | 2%         |                                 |                                   |
|                   | Persons importing finished pharmaceutical products that are not manufactured otherwise in Pakistan, as certified by the Drug Regulatory Authority of Pakistan                       | 4%                                                                                                                     | 8%         |                                 |                                   |
|                   | Person Importer of CKD kits of electric vehicles for small cars or SUVs with 50 kwh battery or below and LCVs with 150 kwh battery or below.                                        | 1%                                                                                                                     | 2%         |                                 |                                   |



| S. No. | C & F Value of mobile phone (in US Dollar)            | Tax (in Rs)                            |                                                  |
|--------|-------------------------------------------------------|----------------------------------------|--------------------------------------------------|
|        |                                                       | In CBU condition PCT Heading 8517.1219 | In CKD/SKD condition under PCT Heading 8517.1211 |
| (1)    | (2)                                                   | (3)                                    | (4)                                              |
| 1      | Up to 30 except smart phones                          | 70                                     | 0                                                |
| 2      | Exceeding 30 and up to 100 and smart phones up to 100 | 100                                    | 0                                                |
| 3      | Exceeding 100 and up to 200                           | 930                                    | 0                                                |
| 4      | Exceeding 200 and up to 350                           | 970                                    | 0                                                |
| 5      | Exceeding 350 and up to 500                           | 5,000                                  | 3000                                             |
| 6      | Exceeding 500                                         | 11,500                                 | 5,200                                            |

| Business Individual & AOP | Rate of tax for Individual and Association of Person                         |                                                           |
|---------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------|
|                           | Taxable Income                                                               | Rate of Tax                                               |
|                           | Where the taxable income does not exceed Rs. 600,000                         | 0%                                                        |
|                           | Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000   | 15% of the amount exceeding Rs. 600,000                   |
|                           | Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,600,000 | Rs. 90,000 + 20% of the amount exceeding Rs. 1,200,000    |
|                           | Where taxable income exceeds Rs. 1,600,000 but does not exceed Rs. 3,200,000 | Rs. 170,000 + 30% of the amount exceeding Rs. 1,600,000   |
|                           | Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 5,600,000 | Rs. 650,000 + 40% of the amount exceeding Rs. 3,200,000   |
|                           | Where taxable income exceeds Rs. 5,600,000                                   | Rs. 1,610,000 + 45% of the amount exceeding Rs. 5,600,000 |

| 149 | Rate of tax of Salaried Individual                                           |                                                           |
|-----|------------------------------------------------------------------------------|-----------------------------------------------------------|
|     | Taxable Income                                                               | Rate of Tax                                               |
|     | Where the taxable income does not exceed Rs. 600,000                         | 0%                                                        |
|     | Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000   | 1% of the amount exceeding Rs. 600,000                    |
|     | Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000 | Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000     |
|     | Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000 | Rs. 116,000 + 20% of the amount exceeding Rs. 2,200,000   |
|     | Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000 | Rs. 316,000 + 25% of the amount exceeding Rs. 3,200,000   |
|     | Where taxable income exceeds Rs. 4,100,000 but does not exceed Rs. 5,600,000 | Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000   |
|     | Where taxable income exceeds Rs. 5,600,000 but does not exceed Rs. 7,000,000 | Rs. 976,000 + 32% of the amount exceeding Rs. 5,600,000   |
|     | Where taxable income exceeds Rs. 7,000,000                                   | Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000 |

| SECTION<br>REFERENCE | NATURE OF PAYMENT/ TRANSACTION                                                                                                                                                                                                                                                                                            | TAX RATE (%/Rs)                                                 |                 | DEDUCTING /<br>COLLECTING<br>AUTHORITY | WITHHOLDING<br>TAX ADJUSTABLE/<br>FINAL/ MINIMUM                                                                                                                 |
|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-----------------|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 150                  | Payments of dividend declared / distributed by:<br><br>(a) In the case of dividend paid by independent power purchasers where such dividend is a pass-through item under an Implementation agreement and is required to be reimbursed by Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity. | 7.5%                                                            |                 | Every person paying dividend           | Final                                                                                                                                                            |
|                      | (b) In the case of <ul style="list-style-type: none"><li>Real Estate Investment Trust and cases other than those mentioned in clauses (a), (ba), (c) and (d); and</li></ul>                                                                                                                                               | 15%                                                             |                 |                                        |                                                                                                                                                                  |
|                      | (ba) in case of <ul style="list-style-type: none"><li>mutual funds, contingent upon proportional income derived from average annual investments in debt securities and equities respectively;</li></ul>                                                                                                                   | 15% in case of debt securities and 25% in case of equities      |                 |                                        |                                                                                                                                                                  |
|                      | (c) Dividend received by a REIT scheme from special purpose vehicle                                                                                                                                                                                                                                                       | 0%                                                              |                 |                                        |                                                                                                                                                                  |
|                      | (c) Dividend received by others from special purpose vehicle as defined under the real estate investment trust regulations, 2015                                                                                                                                                                                          | 35%                                                             |                 |                                        |                                                                                                                                                                  |
|                      | (d) In the case of a person receiving dividend from a company where no tax is payable by such company due to exemption of income or carry forward of business losses under Part VIII of Chapter III or claim of tax credits under Part X of Chapter III."                                                                 | 25%                                                             |                 |                                        |                                                                                                                                                                  |
| 151                  | Tax on profit on debt imposed under section 7B / 151                                                                                                                                                                                                                                                                      | Filer (ATL)                                                     | Non-Filer (ATL) | Payer of the profit or yield           | FTR for Individual / AOP on amount not exceeding Rs. 5 million.<br><br>Minimum Except for <ul style="list-style-type: none"><li>Company</li><li>U/S 7B</li></ul> |
|                      |                                                                                                                                                                                                                                                                                                                           | 20% in case of Financial Institution and 15% in any other case. | 40% and 30%     |                                        |                                                                                                                                                                  |



| SECTION REFERENCE | NATURE OF PAYMENT/ TRANSACTION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | TAX RATE (%/Rs)               | DEDUCTING / COLLECTING AUTHORITY                                                                                                                                                                                                                                                                                                                                        | WITHHOLDING TAX ADJUSTABLE/ FINAL/ MINIMUM        |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| 151B              | 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%                           | Every life insurance company, including a family takaful operator or a window takaful operator                                                                                                                                                                                                                                                                          |                                                   |
|                   | Where payout or benefit is made after one year but before completion of seven years from the date of issuance of the life insurance policy, family takaful certificate or plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 10%                           |                                                                                                                                                                                                                                                                                                                                                                         |                                                   |
| 151A              | Tax on Gain arising on disposal of certain debt securities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 20%                           | Every custodian of debt securities including a banking company                                                                                                                                                                                                                                                                                                          |                                                   |
| 152               | Payments to PE of non-residents:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                               | Federal Government, Company, Association of Persons (under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 100M or above), AOP (normal) (turnover of Rs. 100M or above), A person registered under the Sales Tax Act, 1990 (turnover of Rs. 100M or above), an exporter or an export house | Minimum Tax except for Company being manufacturer |
|                   | <ul style="list-style-type: none"> <li>Sales of good in case of company</li> <li>Sales of good in case of other then company</li> <li>Transport services, Freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard service and software development services, IT services and IT enable services as defined in clause (133) of the part I of the second Schedule. tracking services, advertising services (other than by print or electronic media), share registrar services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services</li> <li>In case of IT &amp; IT enable services</li> <li>In in any other case</li> </ul> | 5%<br>5.5%<br>8%<br>4%<br>15% |                                                                                                                                                                                                                                                                                                                                                                         |                                                   |
|                   | Execution of contract                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                               |                                                                                                                                                                                                                                                                                                                                                                         |                                                   |
|                   | i) In the case of companies<br>ii) In the case of Sportsperson                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 8%<br>15%                     |                                                                                                                                                                                                                                                                                                                                                                         |                                                   |
| 6, 7 & 152        | Payment to Non-resident u/s 6:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                               | Payment to non-resident by every person                                                                                                                                                                                                                                                                                                                                 | Final                                             |
|                   | <ul style="list-style-type: none"> <li>Royalty or fee for technical services or fee of offshore digital services</li> <li>Any other case</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 15%<br>10%                    |                                                                                                                                                                                                                                                                                                                                                                         |                                                   |
|                   | Payment under section 6a                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               |                                                                                                                                                                                                                                                                                                                                                                         |                                                   |
|                   | Payment for E-commerce Transaction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                               |                                                                                                                                                                                                                                                                                                                                                                         |                                                   |

| SECTION REFERENCE | NATURE OF PAYMENT/ TRANSACTION                                                                                                                                                                                                                                                                                                                                      | TAX RATE (%/Rs)                            | DEDUCTING / COLLECTING AUTHORITY                                                                                                                                                                                                                                                                                                                                       | WITHHOLDING TAX ADJUSTABLE/ FINAL/ MINIMUM                                 |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
|                   | Rate of Tax on Payments for Digital Transactions in E-commerce Platforms<br><br>In case of Online payment<br>• In case of 10,000/- of lesser<br>• In case of 10,000/- to 20,000/-<br>• In case of 20,000/- or more.<br><br>In Case of Cash payment<br>• In case of electronic goods<br>• In case if Clothing / Garments.<br>• On any goods other than above         | 1%<br>2%<br>0.25%<br><br>0.25%<br>2%<br>1% | Payment to non-resident by every person                                                                                                                                                                                                                                                                                                                                |                                                                            |
|                   | Payment to Non-resident u/s 7:<br><br>• Shipping income<br>• Air Transport income                                                                                                                                                                                                                                                                                   | 8%<br>3%                                   | Payment to non-resident by a every person                                                                                                                                                                                                                                                                                                                              |                                                                            |
|                   | Payment to Non-resident u/s 152 excluding PE<br>• Fee for offshore digital services<br>• Contract or sub contract under a construction, assembly or installation project.<br>• Advertisement services rendered by T.V. Satellite Channel<br>• Advertisement services relaying from outside Pakistan<br>• Insurance premium or re-insurance premium<br>• Other cases | 5%<br>7%<br>5%<br>10%<br>5%<br>20%         | Payment to non-resident by a every person                                                                                                                                                                                                                                                                                                                              | Minimum                                                                    |
| 153(1)(a)         | • Sale of goods on amount inclusive of Sales Tax<br><br>i) In case of toll manufacturing companies<br><br>ii) In case of others manufacturers companies<br><br>iii) In case of other than company for toll manufacturing<br><br>iv) In case of other taxpayers as manufacturers                                                                                     | 9%<br>5%<br>11%<br>5.5%                    | Federal Government, Company, Association of Persons (under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 100M or above), AOP (normal)(turnover of Rs. 100M or above), A person registered under the Sales Tax Act, 1990 (turnover of Rs. 100M or above), an exporter or an export house | Minimum Tax<br><br>Adjustable for manufacturer company or listed companies |
|                   | ➤ General<br><br>v) In the case of companies<br>vi) In the case of other taxpayers                                                                                                                                                                                                                                                                                  | 5%<br>5.5%                                 |                                                                                                                                                                                                                                                                                                                                                                        |                                                                            |
|                   | • Rice, cotton seed oil and edible oil other than mentioned below                                                                                                                                                                                                                                                                                                   | 1.5%                                       |                                                                                                                                                                                                                                                                                                                                                                        | Minimum Tax                                                                |
|                   |                                                                                                                                                                                                                                                                                                                                                                     |                                            |                                                                                                                                                                                                                                                                                                                                                                        |                                                                            |



154

| SECTION REFERENCE | NATURE OF PAYMENT/ TRANSACTION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | TAX RATE (%/Rs)                                                                                                           | DEDUCTING / COLLECTING AUTHORITY                                                                                                                                                                                                        | WITHHOLDING TAX ADJUSTABLE/ FINAL/ MINIMUM |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
|                   | <ul style="list-style-type: none"> <li>At the time of realization of foreign exchange proceeds on account of the export of goods by an exporter.</li> <li>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.</li> <li>At the time of export of goods by an industrial undertaking located in the areas declared by the Federal Government to be a Zone</li> <li>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.</li> <li>At the time of clearing of goods exported.</li> </ul> | 1.25%                                                                                                                     | <p>Collector of Customs and Banking Company</p> <p>EPZ authority established under the EPZ authority Ordinance, 1980.</p> <p>Direct exporter and an export house registered under the Duty and Tax Remission for Export Rules 2001.</p> |                                            |
| 154(2A)           | <ul style="list-style-type: none"> <li>Additional advance tax on direct exporter of goods</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 1%                                                                                                                        | Authorized Dealer in foreign exchange proceeds on account of export of goods                                                                                                                                                            | Advance Tax                                |
| 154A              | <ul style="list-style-type: none"> <li>Export proceeds for TY 2024 up to TY 2029 of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board</li> <li>Any other case</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>0.25%</p> <p>1%</p>                                                                                                    | Authorized Dealer in foreign exchange, Collector of Customs and Banking Company                                                                                                                                                         | Final being export of services             |
| 154B              | In case of resident persons whose name appearing in the Active Taxpayers' List                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 5%                                                                                                                        | Every banking and non-banking financial institution                                                                                                                                                                                     | Minimum                                    |
|                   | In case of non-resident person not having permanent establishment in Pakistan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 5%                                                                                                                        |                                                                                                                                                                                                                                         | Final                                      |
| 155               | <ul style="list-style-type: none"> <li>In of Company</li> <li>Individual &amp; AOP               <ol style="list-style-type: none"> <li>Up to 300,000</li> <li>300,001 to 600,000</li> <li>600,001 to 2,000,000</li> <li>Above 2,000,000</li> </ol> </li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                | <p>15%</p> <p>0%</p> <p>5% Exceeding 300,000 Rs. 15,000 + 10% exceeding 600,000 Rs. 155,000 + 25% exceeding 2,000,000</p> | Tax Deduction by every prescribed person making a payment in full or part.                                                                                                                                                              | Adjustable                                 |
| 156               | <ul style="list-style-type: none"> <li>Payment of prize on prize bond or crosswords puzzle</li> <li>Payment of prize on winning of raffle, lottery, a quiz, offered by companies for promotion of sale.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>15%</p> <p>20%</p>                                                                                                     | Person paying the amount where the payment is not in cash                                                                                                                                                                               | Final                                      |
| 156A              | <ul style="list-style-type: none"> <li>Payment of commission or discount allowed to a petrol pump operator</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 12%                                                                                                                       | Person selling petroleum products to a petrol pump operator                                                                                                                                                                             | Final                                      |



| SECTION REFERENCE | NATURE OF PAYMENT/ TRANSACTION                                                                                                                                                                                                                                                                                                  | TAX RATE (%/Rs)                                                                                                                                                                                                                                                     | DEDUCTING / COLLECTING AUTHORITY                                                                                          | WITHHOLDING TAX ADJUSTABLE/ FINAL/ MINIMUM |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 231 AB            | • Advance tax on cash withdrawal by Non-active taxpayer exceeding Rs. 50,000 in a single day                                                                                                                                                                                                                                    | 0.8%                                                                                                                                                                                                                                                                | Every Banking Company                                                                                                     | Adjustable in case of filing return        |
| 231B              | • Purchase, Registration of Transfer of Motor Vehicles                                                                                                                                                                                                                                                                          | Rs. 7,500 To 250,000                                                                                                                                                                                                                                                | Excise and Taxation (Motor Vehicle)                                                                                       | Adjustable                                 |
| 231B (2)          | • Transfer of Registration or ownership of a private motor vehicle:                                                                                                                                                                                                                                                             | Rs. 0 To 62,500                                                                                                                                                                                                                                                     | Excise and Taxation (Motor Vehicle)                                                                                       | Adjustable                                 |
| 231B(2A)          | • Transfer of Registration or ownership of a private motor vehicle:                                                                                                                                                                                                                                                             | Rs. 0 To 62,500                                                                                                                                                                                                                                                     | Excise and Taxation (Motor Vehicle)                                                                                       | Adjustable                                 |
| <b>S.No.</b>      | <b>Engine capacity</b>                                                                                                                                                                                                                                                                                                          | <b>Tax</b>                                                                                                                                                                                                                                                          |                                                                                                                           |                                            |
| 1.                | Upto 850 cc                                                                                                                                                                                                                                                                                                                     | 0.5% of the value                                                                                                                                                                                                                                                   | Excise and Taxation (Motor Vehicle)                                                                                       | Adjustable                                 |
| 2.                | 851cc to 1000cc                                                                                                                                                                                                                                                                                                                 | 1% of the value                                                                                                                                                                                                                                                     |                                                                                                                           |                                            |
| 3.                | 1001cc to 1300cc                                                                                                                                                                                                                                                                                                                | 1.5% of the value                                                                                                                                                                                                                                                   |                                                                                                                           |                                            |
| 4                 | 1301cc to 1600cc                                                                                                                                                                                                                                                                                                                | 2% of the value                                                                                                                                                                                                                                                     |                                                                                                                           |                                            |
| 5                 | 1601cc to 1800cc                                                                                                                                                                                                                                                                                                                | 3% of the value                                                                                                                                                                                                                                                     |                                                                                                                           |                                            |
| 6                 | 1801cc to 2000cc                                                                                                                                                                                                                                                                                                                | 5% of the value                                                                                                                                                                                                                                                     |                                                                                                                           |                                            |
| 7                 | 2001cc to 2500cc                                                                                                                                                                                                                                                                                                                | 7% of the value                                                                                                                                                                                                                                                     |                                                                                                                           |                                            |
| 8                 | 2501cc to 3000cc                                                                                                                                                                                                                                                                                                                | 9% of the value                                                                                                                                                                                                                                                     |                                                                                                                           |                                            |
| 9                 | Above 3000cc                                                                                                                                                                                                                                                                                                                    | 12% of the value                                                                                                                                                                                                                                                    |                                                                                                                           |                                            |
| 10                | If the value of vehicle is Rs. Five million or more the rate of tax collection shall be including import value custom duty, sales tax and federal excise duty in case of local manufactured value                                                                                                                               | 3%                                                                                                                                                                                                                                                                  | Collector of Customs                                                                                                      |                                            |
| 231C              | • Advance tax to be collected from sponsors, agency or a person engaging foreign national as domestic worker under domestic aide visa                                                                                                                                                                                           | Rs. 200,000                                                                                                                                                                                                                                                         | Authority issuing or renewing domestic aide visa                                                                          | Adjustable against income of employer      |
| 233               | Payment of Brokerage and Commission<br>• Advertising Agents<br>• Life Insurance Agents where commission received is less than Rs. 0.5 million per annum<br>• Person not covered in Advertising and Life Insurance Agents above                                                                                                  | 10%<br>8%<br>12%                                                                                                                                                                                                                                                    | Federal Government, Local Government, Local Government, Company and Association of Person constituted by or under any law | Minimum Tax                                |
| 234               | On collection of motor vehicle tax of:<br>• Passenger transport vehicle with registered seating capacity of 4 to 10 persons<br>• Passenger transport vehicle with registered seating capacity of 10 to 20 persons<br>• Passenger transport vehicle with registered seating capacity of 20 or more<br>• Goods transport vehicle. | Rupees 200 for Non-Air Conditions and Rs. 375 for air conditions<br>Rupees 500 for Non-Air Conditions and Rs. 750 for air conditions<br>Rupees 1,000 for Non-Air Conditions and Rs. 1,500 for air conditions<br>per kilogram of the laden weight per annum Rs. 2.50 | Person collecting motor vehicle tax                                                                                       | Adjustable                                 |

| SECTION REFERENCE | NATURE OF PAYMENT/ TRANSACTION                                                                                                                                                                                                                                                                                                           | TAX RATE (%/Rs)                                                                                                                                                                         | DEDUCTING / COLLECTING AUTHORITY                                                   | WITHHOLDING TAX ADJUSTABLE/ FINAL/ MINIMUM                                                                                                            |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
|                   | <ul style="list-style-type: none"> <li>In the case of goods transport vehicles with minimum laden weight of 8,120 Kg, advance tax after a period of ten years from the date of first registration of vehicle in Pakistan.</li> <li>Other private motor vehicle.</li> <li>Where the motor vehicle tax is collected in lump sum</li> </ul> | Rs. 1,200 per annum<br><br>Rs. 800 to 10,000<br><br>Rs. 10,000 to 120,000                                                                                                               |                                                                                    |                                                                                                                                                       |
| 235               | On collection of amounts of commercial and industrial of electricity bill: <ul style="list-style-type: none"> <li>Where the amount of electricity bill upto Rs.500</li> <li>exceeds Rs. 500 but does not exceed Rs. 20,000</li> <li>exceeds Rs.20,000</li> </ul>                                                                         | 0<br>10% of the Amount<br>Rs. 1950 plus 12% of the amount exceeding Rs. 20,000 for commercial consumers<br>Rs. 1950 plus 5% of the amount Exceeding Rs. 20,000 for industrial consumers | Person preparing electricity consumption bill                                      | Adjustable for Companies (minimum for others for bill amounting to Rs. 30,000 per month / adjustable for the amount of bill which exceeds Rs. 30,000) |
|                   | On collection of amounts of domestic electricity bill: <ul style="list-style-type: none"> <li>i) Where bill is less than Rs 25,000</li> <li>ii) Where bill exceeds Rs 25,000</li> </ul>                                                                                                                                                  | 0%<br>7.5%                                                                                                                                                                              |                                                                                    |                                                                                                                                                       |
| 235B              | Production of steel billets, ingots and mild steel excluding stainless steel                                                                                                                                                                                                                                                             | Rs. 1/units of electricity consumed                                                                                                                                                     | Person preparing electricity consumption bill                                      | Final                                                                                                                                                 |
| 236               | On custom of amounts of telephone charges of: <ul style="list-style-type: none"> <li>Telephone subscriber (bill exceeds Rs. 1,000)</li> <li>subscriber of internet, mobile telephone and pre-paid internet or telephone card</li> </ul>                                                                                                  | 10<br><br>10 for tax year 2022 and 8% on wards                                                                                                                                          | Person preparing telephone bills                                                   | Adjustable                                                                                                                                            |
| 236A              | <ul style="list-style-type: none"> <li>On the sale by public auction or auction by tender</li> <li>In case of immoveable property sold by auction</li> </ul>                                                                                                                                                                             | 10%<br><br>5%                                                                                                                                                                           | Any person making sale by public auction or auction by tender                      | Adjustable                                                                                                                                            |
| 236C              | Gross amount of the consideration received.                                                                                                                                                                                                                                                                                              | <b>2.75% in case of ATL</b><br><br><b>11.5% for non-Filers</b>                                                                                                                          | Any person responsible for registering or attesting transfer of immovable property | Minimum Tax if property is acquired and disposed-off within the same tax year; Otherwise, Adjustable.                                                 |



| SECTION REFERENCE | NATURE OF PAYMENT/ TRANSACTION                                                                                                                                                                                                                                                                                                                                                                                                                                                 | TAX RATE (%/Rs)                                                                                | DEDUCTING / COLLECTING AUTHORITY                                                                                                                                                                                                                                                                                                                                       | WITHHOLDING TAX ADJUSTABLE/ FINAL/ MINIMUM |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 236CB             | <ul style="list-style-type: none"> <li>Functions and gathering in marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place etc.</li> </ul>                                                                                                                                                                                                                                                                                                          | 10%                                                                                            | Federal Government, Company, Association of Persons (under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 100M or above), AOP (normal)(turnover of Rs. 100M or above), A person registered under the Sales Tax Act, 1990 (turnover of Rs. 100M or above), an exporter or an export house | Adjustable                                 |
| 236C              | <p>Sales to distributors, dealers and wholesalers Fertilizers</p> <ul style="list-style-type: none"> <li>Fertilizers</li> <li>Other then Fertilizers</li> </ul> <p><i>"Provided that the rate of advance tax on sale to distributors, dealers or wholesalers of fertilizer shall be 0.25%, if they are already appearing on both the Active Taxpayers' Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001 (XLIX of 2001)"</i></p> | <p>0.7%<br/>0.1% for ATL<br/>2% for non-Filers</p> <p>0.25%</p>                                | Every manufacturer or commercial importer                                                                                                                                                                                                                                                                                                                              | Adjustable                                 |
| 236H              | <p>Advance tax on Sale of specified goods to Wholesaler</p> <p>In case of sales of specified good to Retailer</p>                                                                                                                                                                                                                                                                                                                                                              | <p>0.5% for ATL and 1% for non-filers</p> <p>0.5% for ATL and 2.5%</p>                         | Every manufacturer, distributor, dealer, wholesaler or commercial importer.                                                                                                                                                                                                                                                                                            | Adjustable                                 |
| 236K              | <p>Where the gross amount of the consideration received</p> <p>In Case of Non Filer:</p> <ul style="list-style-type: none"> <li>Where the fair market value does not exceed Rs. 50M</li> <li>Where the fair market value exceeds Rs. 50M but not 100M</li> <li>Where the fair market value exceeds Rs. 100M</li> </ul>                                                                                                                                                         | <p><b>1.25% in case of ATL</b></p> <p><b>10.5%</b></p> <p><b>14.5%</b></p> <p><b>18.5%</b></p> | Any person responsible for registering or attesting transfer.                                                                                                                                                                                                                                                                                                          | Adjustable                                 |

| SECTION<br>REFERENCE | NATURE OF PAYMENT/ TRANSACTION                                                           | TAX RATE (%/Rs) | DEDUCTING /<br>COLLECTING<br>AUTHORITY                                                 | WITHHOLDING<br>TAX<br>ADJUSTABLE/<br>FINAL/ MINIMUM |
|----------------------|------------------------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------------------|-----------------------------------------------------|
|                      |                                                                                          |                 |                                                                                        |                                                     |
| 236Y                 | Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards | 0.5%            | Every banking Company shall collect advance tax                                        | Adjustable                                          |
| 236Z                 | Advance tax on bonus shares issued to shareholders                                       | 10%             | Every Company shall collect and deposit the tax within 15 days of the closure of books | Final                                               |
|                      | Day end price on the first day of closure of books for Listed companies                  |                 |                                                                                        |                                                     |
|                      | Share value as prescribed in case of other companies                                     |                 |                                                                                        |                                                     |





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