



Notes on Finance Bill 2025-26

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Table of Contents

Income Tax Ordinance, 2001	_____	1
The Sales Tax Act, 1990	_____	7
Islamabad Capital Territory	_____	11

PROPOSED AMENDMENTS IN FINANCE BILL 2025

Following are the highlights of the amendments in Income Tax Ordinance, 2001 proposed through the Finance bill 2025:

TAX BREAK FOR SALARIED TAXPAYERS

REVISED TAX RATES

Proposed revised rate of tax for salaried class are as under:

S#	Taxable Income	Rate of Tax
(1)	(2)	(3)
1	Where taxable income does not exceed Rs. 600,000/-	0%
2	Where taxable income exceeds Rs. 600,000/- but does not exceed Rs. 1,200,000/-	1% of the amount exceeding Rs. 600,000/-
3	Where taxable income exceeds Rs. 1,200,000/- but does not exceed Rs. 2,200,000/-	Rs. 6,000/- + 11% of the amount exceeding Rs. 1,200,000/-
4	Where taxable income exceeds Rs. 2,200,000/- but does not exceed Rs. 3,200,000/-	Rs. 116,000/- + 23% of the amount exceeding Rs. 2,200,000/-
5	Where taxable income exceeds Rs. 3,200,000/- but does not exceed Rs. 4,100,000/-	Rs. 346,000/- + 30% of the amount exceeding Rs. 3,200,000/-
6	Where taxable income exceeds Rs. 4,100,000/-	Rs. 616,000/- + 35% of the amount exceeding Rs. 4,100,000/-

Comparative relief allowed to salaried class is as under:

Sr. No.	Taxable Income	RATES		
		Current	Propose	Relief
1	Does not exceed Rs. 600,000/-	0%	0%	0%
2	From Rs. 600,000/- to Rs. 1,200,000/-	5%	1%	4%
3	From Rs. 1,200,000/- to Rs. 2,200,000/-	15%	11%	4%
4	From Rs. 2,200,000/- to Rs. 3,200,000/-	25%	23%	2%

Sr. No.	Taxable Income	RATES		
		Current	Propose	Relief
5	From Rs. 3,200,000/- to Rs. 4,100,000/-	30%	30%	0%
6	Exceeds Rs. 4,100,000/-	35%	35%	0%

RATE OF SUPER TAX REVISED FOR TAX YEAR 2026

Section 4C, Division IIB Part I of First Schedule

Revised Rate of Super Tax for tax year 2026 onwards has been revised as under:

S. No	Income under section 4C	Rate of Tax		
		For tax year 2022	For tax years 2023, 2024 and 2025	For tax year 2026 and onwards
(1)	(2)	(3)	(4)	(5)
1	Where income does not exceed Rs.150 million	0% of the income	0% of the income	0% of the income
2	Where income exceeds Rs.150 million but does not exceed Rs.200 million	1% of the income	1% of the income	1% of the income
3	Where income exceeds Rs. 200 million but does not exceed Rs.250 million	2% of the income	2% of the income	1.5% of the income
4	Where income exceeds Rs. 250 million but does not exceed Rs.300 million	3% of the income	3% of the income	2.5% of the income
5	Where income exceeds Rs. 300 million but does not exceed Rs.350 million	4% of the income	4% of the income	3.5% of the income

S. No	Income under section 4C	Rate of Tax		
		For tax year 2022	For tax years 2023, 2024 and 2025	For tax year 2026 and onwards
(1)	(2)	(3)	(4)	(5)
6	Where income exceeds Rs. 350 million but does not exceed Rs.400 million		6% of the income	5.5% of the income
7	Where income exceeds Rs. 400 million but does not exceed Rs.500 million		8% of the income	7.5% of the income
8	Where income exceeds Rs. 500 million		10% of the income	10% of the income

WITHHOLDING TAX RATE OF PROFIT ON DEBT ENHANCED

Section 7B & Division I Part III of the First Schedule

Rate of tax on Profit on Debt increased from 15% to 20%.
Revised schedule is as under:

Yield on profit paid by	Current	Proposed
Banking Co. or financial institution on deposit	15%	20%
Others	15%	51%

RATE FOR DEDUCTION OF TAX ON SERVICES INCREASED
Section 153(1)(b) & Division III Part III of First Schedule

Rate for deduction of tax on services has considerable been increased. Revised rates are as under:

S.No.	Services	Current	Proposed
		Rate	Rate
1	Specified Services		
	Warehousing etc.	4%	6%
	IT & IT Enabled	4%	4%
2	Other Services		
	Companies	9%	15%
	Others	11%	15%
	Advertising	1.50%	1.50%

S.No.	Services	Current	Proposed
		Rate	Rate
3	Contract		
	All Category	10%	15%

CHANGES IN RATE OF TAX ON TRANSACTION OF IMMOVABLE PROPERTIES

Section 236K & 236C Part IV Division X & XVIII of First Schedule

Changes have been proposed in rates of tax on sale & purchase of immovable properties. According to the proposal rates of tax to be collected from buyer on purchase of immovable properties has been reduced whereas tax to be collected from seller on sale of immovable properties has been increased.

Following are the proposed changes:

Collection from Buyer		Current	PROPOSE		
Sr. No	Amount		Filer	Non-Filer	Late Filer
1	Where the fair market value does not exceed Rs. 50 million	3.0%	1.5%	10.5%	4.5%
2	Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million	3.5%	2.0%	14.5%	5.5%
3	Where the fair market value exceeds Rs. 100 million	4.0%	2.5%	18.5%	6.5%

Collection from Seller		Current	PROPOSE		
Sr. No	Amount		Filer	Non-Filer	Late Filer
1	Where the gross amount of the consideration received does not exceed Rs. 50 million	3%	4.5%	11%	7.50%
2	Where the gross amount of the consideration received exceeds Rs. 50 million but does	3.50%	5.0%	11%	8.50%

Collection from Seller		Current	PROPOSE		
Sr. No	Amount		Filer	Non-Filer	Late Filer
	not exceed Rs. 100 million				
3	Where the gross amount of the consideration received exceeds Rs. 100 million	4%	5.5%	11%	9.50%

REDUCTION IN SUPER TAX RATE

Section 4AB

Where salary income of a person exceeds rupees ten Million in a tax year, he will be liable to pay surcharge @9% instead of 10%.

MINIMUM VALUE OF FAIR MARKET RENT IN CASE OF COMMERCIAL PROPERTIES

Section 15

It has been proposed that the minimum fair market rent of a Commercial property shall not be less than the 4% of the FBR Value of the property.

However, rent below fair market value of the property is acceptable if taxpayer provide necessary evidence in support of the rent to the satisfaction of the Commissioner concerned.

INCOME OF RECREATIONAL CLUB TO BE TAXED AS BUSINESS INCOME

Section 18

Income of the recreational clubs is proposed to be taxed as business income with retrospective effects.

INADMISSIBLE DEDUCTIONS

Section 21

Proportionate cost of Purchases on Sale to Unregistered Person

Sub Section 1(q)

Currently in case of sale to unregistered sales tax person by an industrial undertaking, proportionate expenditure not exceeding ten percent of the total expenditure claimed in proportion to such turnover is treated as inadmissible. However, this disallowance applied where sales to a person exceeds Rs.100.000M in a financial year

Now it is proposed:

- FBR will notify persons on whom this provision of this section apply.
- Disallowance shall not exceed ten percent of the amount attributable to purchases only.

Proportionate expenditure to be disallowed in case of Cash sales on single invoice exceeding Rupees Two Hundred Thousand in case of supply of goods or services

Sub-Section 1(s)

A new provision has been proposed to be added according to which in case of receipt of payment in cash otherwise a banking channel against a single invoice exceeding Rs.200,000 proportionate expense will be disallowed.

This provision shall be applicable to supply of goods as well as provision of services irrespective of the registration status of the payer.

Depreciation on a particular capital asset shall be disallowed over its useful life in case of non deduction of tax at the time of purchase of such capital asset

Section 221(1)

Through this amendment it is propose that in case of non deduction of tax by a taxpayer in the year of addition of a capital asset the depreciation claimed on that capital asset will be disallowed in every year till the asset is fully depreciated.

INTANGIBLE ASSET USEFUL LIFE REDUCED

Section 24(4)

Estimated useful life of an intangible asset to claim Depreciation reduced from twenty-five years to fifteen years.

PAYMENT THROUGH DIGITAL MODE FOR LOAN, ADVANCES, DEPOSITS, GIFTS & OTHER

Section 39(3)

Through this amendment it is propose that Laon, Advance, Deposit or Gift can also be received through following digital means:

- online portals or platforms for digital payments/receipts;
- online interbank fund transfer services;
- over the Counter digital payment services or facilities;
- card payments using Point of Sale terminals,
- QR codes,
- mobile devices, ATMs, Kiosk or any other digital; payments enabled devices; or any other digital or online payment modes.

**BUSINESS LOSS CANNOT BE ADJUSTED AGAINST
PROPERTY INCOME**

Section 56(1)

Property income cannot be adjusted against Business Loss anymore.

**TAX CREDIT FOR INTEREST PAID ON LOW-COST
HOUSING LOAN**

Section 63A

A new tax credit for interest on low-cost housing project has been provided. Requirements for availing the tax credit are:

- i) Individual must have paid profit on debt or share in rent or share in appreciation for value of house on loan from a scheduled bank or any other financial institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the Local Government or a statutory body or a public company listed on a registered stock exchange in Pakistan.
- ii) The person utilizes the loan for the construction or acquisition of one personal house having land area up to two thousand five hundred square feet or flat having total area up to two thousand square feet.
- iii) The amount of a person's tax credit allowed for a tax year shall be computed according to the following formula, namely: —

$$(A/B) \times C$$

Where –

A -- is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part.

B --- is the person's taxable income for the tax year; and

C- is the lesser of —

 - (a) the total profit on debt referred to in sub-section (1) paid by the person in the year.
 - (b) thirty per cent of the person's taxable income for the year; or

However,

 - i) Tax credit not available for property on rent.
 - ii) No tax credit can be claimed for another house or flat during the subsequent fifteen tax years.

CARRY FORWARD OF UNADJUSTED MINIMUM TAX

Proviso Section 113(2) (c)

Time limit for carry forward of unadjusted minimum tax has been reduced from three tax years to two tax years. Hence now onwards unadjusted carry forward minimum tax cannot be adjusted for more than two tax years.

**RESTRICTIONS ON ECONOMIC TRANSACTION BY
INELIGIBLE PERSON**

Section 114C

A new concept of ineligible person has been introduced. An ineligible person cannot apply :

- 1) for booking to any manufacturer of vehicle or for registration of a motor vehicle, to a vehicle registering authority of Excise and Taxation Department, as the case may be;
- 2) to any authority responsible for registering, recording or attesting transfer of any immovable property, more than such value in aggregate in a tax year as may be notified by the Federal Government from time to time,
- 3) to any person, authorized to sell securities including debt securities or units of mutual funds including a person authorized to open and maintain an account or clear such transactions, to open an account or clear sale of securities, mutual funds, to an ineligible person being an individual or an association of persons; and
- 4) to a banking company to —
 - (i) open or maintain an already opened current or a saving bank or investor portfolio securities account, except Asaan account and Pensioner Account, in the name of such persons as may be notified by the Board; and
 - (ii) allow cash withdrawal from any of the bank accounts of any person, exceeding the amount as may be notified by the Board from time to time.

However, this provision does not apply to purchase of :

- a) all rikshaws, motorcycle and tractors
- b) a pick-up vehicle having engine capacity up to 800 CC
- c) purchase of such motor vehicles other than those mentioned in clauses (a) and (b), trucks and buses subject to restrictions and limitations as may be notified by the Board from time to time
- d) investment in securities up to such limit as may be notified by the Board from time to time;
- e) any transactions made by a non-resident person or a public company except that mentioned in sub-clause (ii) of clause (d) of sub-section (1).

Definitions

- a) “**eligible person**”
shall means a person who has filed –
 - i) a return of income for the tax year immediately preceding the year of transaction mentioned in sub-section (1) and has sufficient resources in the wealth

statement in case of an individual, or financial statement in case of a company or an association of persons, as the case may be, for such transaction; or

- ii) sources of investment and expenditure statement declaring sufficient resources and furnishing explanation thereof for a particular purchase or investment transaction covered in clauses (a), (b) and (c) of sub-section (1):

Provided that in case of an individual, the eligible person shall include his immediate family members.

- b) **“immediate family members”** in respect of an individual, shall include his parents, spouse and dependent children.
- c) **“ineligible person”** shall mean a person who is not an eligible person as defined in clause (a) of this sub-section.
- d) **“sources of investment and expenditure statement”** shall mean a declaration by a person filed on the Board’s web portal, specifying the sources of funds for making such transaction; and
- e) **“sufficient resources”** shall means one hundred and thirty percent of the cash and equivalent assets comprising cash denominated in local or foreign currency, fair market value of gold, net realizable value of stocks, bonds, receivables or any other cash equivalent asset as may be prescribed, declared by a person either in his sources of investment and expenditure statement, or wealth statement filed for the latest tax year and in the case of a company or association of persons, cash and equivalent assets, declared in the financial statements attached with the income tax return for the latest tax year:

TIME LIMIT FOR FRAMING ORDER BASED ON NOTICE U/S. 122(9) ABOLISHED

Section 122

Time limit of one hundred eighty days for framing of amended order u/s. 122 based on notice issued u/s. 122(9) has been withdrawn.

RECOVERY OF TAX DEMAND AFTER DECISION OF APPEAL BY THE APPELLATE FORUMS

Section 124(4A) & (4B)

Two new sub sections have been inserted in section 124 which provides is following:

Instant Recovery

Section 124(4A)

Where in a decision by any Appellate Authority i.e. Commissioner Appeal, Appellate Tribunal or High Court the demand created is confirmed than the said demand will

become recoverable instantly and no appeal effect will be required to be issued.

Recovery of Demand for Confirmed Issues in Set Aside Order in Appeal

Section 124(4B)

As per current provision of law if an order passed by Deputy Commissioner is partly set aside, confirmed or modified in Appeal by Commissioner Appeal, Appellate Tribunal or High Court than no recovery proceeding can be initiated, unless the set aside issues are re assessed, being incomplete demand. Now, it is proposed that, the recovery proceeding can be initiated on incomplete demands of that part which is confirmed in appeal by any Appellate Authority i.e. Commissioner Appeal, Appellate Tribunal or High Court.

PECUNIARY JURISDICTION OF APPEAL ABOLISHED

Section 126A

Through Tax Laws Amendment Act 2024 pecuniary jurisdiction of appeals was defined, according to which appeals before Commissioner Appeal can be lied where demand created on order challenged do not exceed Rs.20.000 M. Similarly, where appeal before Appellate Tribunal only lie in those cases where demand exceeds Rs.20.000M.

Now it is proposed to be done away with these jurisdictions.

TAXPAYER ALLOWED OPTION TO FILE APPEAL BEFORE COMMISSIONER APPEAL OR APPELLATE AGAINST AN ORDER OF DEPUTY COMMISSIONER

Section 127

After abolishing pecuniary jurisdiction of appeal an amendment has been propose in provisions of appeal before Commissioner Appeals according to which now the taxpayer will have the option to file appeal against any order either before the Commissioner Appeal or directly before the Appellate Tribunal.

TIME LIMIT FOR FILING OF APPEAL TO APPELLATE TRIBUNAL

Section 131(1)

Time for filing of appeal before the Appellate Tribunal against any order of the Assessing Officer or Commissioner Appeals will remain to be thirty days.

FILING OF REFERENCE BEFORE HIGH COURT

Section 133

The following amendments has been proposed:

- 1) Time limit for filing of reference has been extended to sixty days.

- 2) Reference before can only be filed on the question of law.
- 3) No reference can be filed directly with High Court against the decision in appeal by the Commissioner of Appeals.

RECOVERY OF TAX DEMAND

Section 138 & 140

These amendments were made through Income Tax Amendment Act 2025 and now has been made part of Finance Bill 2025. According to this amendment, if a tax demand is created in an order passed by the Assessing Officer wherein an addition to income of taxpayer resulting in such demand pertains to an issue which has already been decided against the taxpayer by the High Court or Supreme Court, in case of any taxpayer, then such demand shall become immediately recoverable as & when the demand created, with no mandatory stay available under the Ordinance.

However, the Assessing Officer is bound to give opportunity of being heard to the taxpayer before initiating recovery proceedings.

HIGH PENSION MADE TAXABLE

Section 149(1A)

Pension income of an individual will be taxed @5% where pension exceeds Rupees Ten Million per annum. The tax will be charged on the amount exceeding Rupees Ten Million.

GAIN ON SALE OF CERTAIN DEBT SECURITIES

Section 151A

Gain on sale of Debt Securities, which are being managed by a Custodian under Investor Portfolio Securities including Banking Company and are being sold other than through Stock Exchange or NCCPL shall be liable for deduction of tax by the said custodian @ 15%.

Gain on sale shall be computed under the provisions of section 37(1A) of the IT Ord. 2001.

EXCHANGE OF BANKING & TAX INFORMATION RELATED TO HIGH-RISK PERSON

Section 175AA

A new section has been inserted according to which Banks & Tax Authorities are authorised to exchange amongst them information of High-Risk Persons available with each of them.

POSTING OF OFFICER OF INLAND REVENUE

Section 175B

This new section has been inserted which empowers the FBR and Chief Commissioner, to post an Officer of Inland Revenue or such other officials with any designation working under the control of the Board or the Chief Commissioner, to the premises of any person or class of such persons, to monitor production, supply of goods or rendering of or providing of services and the stock of goods not sold at any time.

However, this power can be exercised subject to certain conditions & restrictions which may be notified by the FBR.

THIRD PARTY AUDITOR APPOINTED SHALL BE TREATED AS INCOME TAX AUTHORITY

Section 207(1)

Third party auditor being appointed by the FBR shall be part of tax authority for the purpose of the Income Tax Ord. 2001.

CONDONATION OF TIME LIMIT

Section 214 A

Currently the law does not provide time limit for which the Board may be allowed to allow condonation of time limit. The Higher Appellate Authorities in various judgements held that there should be a time limit for condonation. To follow the decision of Appellate Forums an amendment has been made according to which now the Board can condone time limitation for not more than two years only,

However, in case where there are reasons to believe that significant loss to exchequer has been caused by an act of omission or commission by the person or by the Commissioner, a committee of members as notified by the Board may further condone the limitation specified for a period as it may deem fit, after providing a reasonable opportunity of being heard to the person concerned.

RATE OF TAX DEDUCTION ON CASH WITHDRAWAL BY NON-FILERS INCREASED

Section 231AB

Rate of tax on cash withdrawal from bank by non filer has been enhanced to 0.8% where the amount withdrawn exceeds Rupees Fifty Thousand in a day.

SALES TAX ACT 1990

The proposed budgetary measures pertaining to Sales Tax for FY 2025-26 are:

DEFINITION OF CARGO TRACKING SYSTEM & E-BILTY

The Act now includes a definition of the Cargo Tracking System, which is an electronic way to monitor and track goods being transported within or across Pakistan. The purpose of this is to improve tax collection, ensure rules are followed, and prevent tax evasion. Also, E-Bilty has been defined as a digital transport document created through the Cargo Tracking System, as directed by the Board, to go along with goods during their transportation.

RETAIL PRICE

In light of FBR's letter dated September 27, 1994, it was graciously permitted for suppliers of aerated waters to exclude chilling charges—ranging from 5% to 10% of the consumer price—when calculating the retail price subject to sales tax. We believe this compassionate mechanism should now be enshrined in law, establishing a fair and uniform allowance of 5% for chilling charges on aerated water, beverages, mineral water, or fruit juices.

The Bill further seeks to empower the FBR with the authority to set the retail prices of goods listed in the Third Schedule by issuing an official notification in the Gazette—an important step toward regulatory clarity and fairness.

Moreover, with regard to imported goods specified in the Third Schedule, it is proposed that their retail price should not be set lower than 130% of the assessed value as determined under section 25 of the Customs Act, 1969, which includes customs duties and federal excise duty. This measure aims to ensure equitable pricing and protect the integrity of the market.

BEST JUDGEMENT ASSESSMENT

Under the current legal framework, best judgement assessment can be made by the assessing officer based on the available information and material when a person, among other reasons, fails to provide a return in response to a notice.

Now, in the case of a person who is liable to be registered due to tax withheld under section 236G of the Ordinance and fails to submit a return after receiving a notice, a crucial non-obstante provision is proposed. This new provision aims to empower the assessing officer to determine the sales tax liability based on the value addition, utilizing the purchase data obtained under section 236G of the Ordinance.

Blacklisting Mechanism

A comprehensive mechanism to blacklist a non-compliant registered person following their suspension is proposed to be formally integrated into the statute. This mechanism is designed to uphold integrity and accountability; it mandates that the Commissioner issue a show cause notice to the registered person within just 15 days of the suspension order. Once the registered person responds to this notice, the Commissioner is then empowered to either revoke the suspension or, within thirty days of receiving the reply, pass a clear, appealable order for blacklisting. Currently, the Chief Commissioner has the authority to modify suspensions or blacklisting decisions either on their own initiative or upon application by the registered person. However, it is proposed that this broad power be withdrawn to ensure greater fairness, transparency, and adherence to due process.

INTEGRATION OF ELECTRONIC INVOICING SYSTEM

Currently, the Board is authorized to mandate any individual or group to integrate their electronic invoicing system with the Board's computerized system for real-time reporting of sales, pursuant to Chapter XIV of the Sales Tax Rules, 2006. It is now proposed that such a requirement be codified into law through the insertion of subsections 5 and 6 into section 23 of the Sales Tax Act.

E-COMMERCE

To better include digitally sold taxable goods in the e-commerce sales tax system, a new definition for 'e-commerce' has been introduced, and the term 'online marketplace' has been updated to cover all taxable activities. Currently, online marketplaces are required to withhold 1% of sales tax on local sales made by vendors who are not actively registered taxpayers. However, this doesn't fully cover the fast-growing e-commerce sector, especially businesses that sell through websites, apps, and other online platforms directly to consumers. To improve this, the rules for withholding tax have been expanded to include transactions paid through online payment methods or Cash on Delivery (CoD).

Under the new plan—replacing item 8 of the Eleventh Schedule—payment intermediaries like banks, financial institutions, currency exchange companies, and payment gateways will be responsible for collecting sales tax on digital payments. Couriers will handle the tax collection for CoD transactions. Additionally, the withholding tax rate will be increased from 1% to 2%.

STRENGTHENING ENFORCEMENT AND CREATING DETERRENCE AGAINST TAX FRAUD

The government is actively working to fight tax fraud through various policies and administrative actions. These include strengthening enforcement efforts to identify and prevent tax evasion, as well as introducing stricter penalties to discourage illegal activities. Additionally, clarifying the difference between civil and criminal responsibilities increases the chances of winning cases in higher courts. The following measures are proposed:

(a) The current law does not specify the role of an ‘abettor’ — someone who helps or collaborates with others involved in fraudulent activities to evade sales tax. The plan is to define “abettor” clearly and to set punishment for this offense.

(b) Tax fraud is currently described in section 2, clause (37). This definition will be expanded to include all types of fraud, especially those involving modern technology.

(c) Several changes are proposed to increase penalties to better discourage tax fraud.

(d) A clear distinction will be made in the law between cases of tax non-compliance and actual tax fraud. Cases involving tax fraud will be handled by special judges, based on investigations by the authorities, with the final decision made by a judge rather than a department officer.

VALUE OF IMPORTED GOODS

A proviso is added in the definition of the retail price in section 2 to broaden its scope, ensuring it appropriately includes imported goods that fall within the ambit of the Third Schedule.

LIMIT OF INPUT TAX ADJUSTMENT

It is proposed that the Board be granted the authority to establish a limit on input tax adjustments, aiming to prevent claims rooted in suspicious or illegal transactions. Nonetheless, registered persons will still be given the chance to submit applications concerning these proposed adjustment limits, ensuring their rights are protected and their voices heard.

BAR ON OPERATIONS OF BANK ACCOUNTS

Sections 14AC, 14AD, and 14AE are proposed to be added to the Act with the vital aim of strengthening sales tax registration and ensuring transparent economic documentation. These provisions bring forward essential enforcement measures—such as restrictions on bank account operations, transfer of immovable property, sealing of business premises, seizure of assets, and the appointment of a receiver—to compel unregistered persons to come into

compliance. It is important to note that the existing sales tax law lacks these powerful enforcement tools, which are crucial for creating a fairer, more accountable tax system.

APPOINTMENT OF EXPERTS AND AUDITORS

The Board or the Commissioner holds the vital authority to appoint experts who can provide crucial assistance in audit, investigation, litigation, or valuation. Moreover, the Board has been entrusted with the significant power to appoint auditors—up to a maximum of 2000—either through direct engagement or via third parties, underscoring their commitment to ensuring thorough and diligent oversight.

INSPECTION OF AUDIT FIRM

It is proposed to insert a new section that empowers the Chief Commissioner Inland Revenue, in cases involving a registered person whose accounts are subject to audit under the Companies Act, 2017 (XIX of 2017). If he or she genuinely believes that the audited accounts do not accurately and honestly reflect the true picture of sales, purchases, and the corresponding sales tax liability, then, with the approval of the Board, he or she may refer the audit firm—responsible for issuing the audit certificate—to the Audit Oversight Board for inspection. This measure aims to uphold integrity and accountability in our financial reporting system, ensuring trust and transparency for all.

APPEAL TO CIR (APPEAL), ATIR & REFERENCE TO HIGH COURT

Currently, the Commissioner (Appeals) can only entertain appeals where the assessed tax or refund value does not exceed Rs. 10 million. This limitation restricts many taxpayers from seeking full justice and resolution of their cases. It is therefore proposed with great conviction that all orders under sections 10, 11A, 11D, 11E, 11F, 21, 33, 34, and 66 should be appealable before CIR (Appeals), regardless of the pecuniary limit. This change aims to uphold the principles of fairness and ensure that every taxpayer has access to appropriate recourse. Moreover, registered persons will be given the empowering option to file an appeal directly before the ATIR if they so choose, fostering transparency and confidence in our tax system. In addition, the procedures for filing appeals before ATIR and referencing cases to the High Court have been streamlined, reflecting our firm commitment to efficiency, justice, and the protection of taxpayers’ rights.

CERTAIN TRANSACTIONS NOT ADMISSIBLE

Presently, a person supplying to unregistered individuals, where the value of such supplies exceeds Rs 10 million in a single tax period and Rs 100 million in a financial year, is barred from claiming input tax proportionate to these supplies. However, with the introduction of the Bill, there is a bold move to eliminate these existing thresholds altogether.

The Board is now empowered—and indeed, urged—to prescribe new thresholds, with the approval of the Federal Minister-in-charge. This change signifies a significant step towards a more flexible and equitable tax system, ensuring that regulations adapt to the realities of business and promote fairness across the board.

CONDONATION OF TIME LIMIT

Earlier, condonation could be granted for any duration deemed necessary under the circumstances. However, in our pursuit of fairness and rationality, it is now proposed that such condonation be limited to a period of two years. Recognizing the gravity of situations involving significant revenue loss, this period can be extended for a longer duration, but only through careful consideration and approval by a dedicated committee.

ADDITION IN THIRD SCHEDULE

Importers and manufacturers are mandated to collect sales tax on items listed in the Third Schedule of the Sales Tax Act, 1990, based on the retail price boldly stamped on the packaging. This measure is essential to accurately capture the down-stream value added throughout the entire supply chain, beyond just the manufacturing stage. In light of this, the following items are proposed to be included in the Third Schedule to ensure this vital process continues effectively:

- Imported pet food, including 'dogs and cats' food in retail packaging
- Imported coffee in retail packaging
- Imported chocolates in retail packaging
- Imported cereal bars in retail packaging

Currently, S. No. 151 of Table-1 of the Sixth Schedule provides an exemption from sales tax on supplies, imports, and the import of plant and machinery by industrial units located in the formerly troubled regions of FATA/PATA. While these provisions were intended to foster growth in these areas, local industrial units in settled regions—such as those producing iron, steel, tea, and others—have voiced serious concerns about potential misuse of this exemption. It is with a sense of responsibility and urgency that we propose the gradual withdrawal of this exemption, implementing a phased approach to introduce sales tax at the following rates:

Tax period | Rate of ST

July 2025 to June 2026 | 10%
July 2026 to June 2027 | 12%
July 2027 to June 2028 | 14%
July 2028 to June 2029 | 16%

Furthermore, while the exemption for import and supply of photovoltaic cells—whether assembled into modules or panels—has been a valuable incentive, its benefits have disproportionately favored commercial importers, leaving our

local industry struggling to stay competitive due to the absorption of input tax costs on their purchases. It is imperative that we establish fairness and ensure sustainable growth by levying this exemption on solar panels and PV modules as well. Therefore, I strongly propose that the exemption currently granted to solar panels and PV modules be withdrawn, allowing us to create a level playing field and generate vital revenue for our nation's development.

WITHDRAWAL OF REDUCED RATE

- (i) S. No. 53 of Table-1 in the Eighth Schedule once offered a generous 5% import tax rate on cinematographic equipment, providing much-needed support until June 30, 2023. Now that this provision has become outdated, its removal is proposed to streamline our policies and move forward.
- (ii) Currently, a reduced rate of 12.5% is applied to the supply of locally manufactured or assembled motorcars up to 850cc. This concession was designed to ease the burden on middle-class families who rely on small cars, yet it was not effectively passed on to consumers. As part of our earnest efforts to reform and improve the GST system, all such concessionary rates are being carefully reviewed and, where appropriate, phased out. Therefore, this provision is proposed to be eliminated.
- (iii) At present, a 10% reduced rate is granted on the local supply of vermicillies and sheer mall. In our pursuit of a fairer and more efficient GST framework, all existing concessionary rates are under review and are being withdrawn wherever possible. Consequently, the 10% reduced rate on these items is proposed for removal.

GRANT OF EXEMPTION ON LOCAL SUPPLY OF BUN & RUSK

Bun and rusk, being essential staples for lower-income communities, are currently subject to only a modest 10% sales tax. Given their vital role in daily life and nourishment, it is strongly proposed that their local sale be entirely exempted from sales tax, to support and uplift those who rely on them most.

EXTENSION IN EXEMPTION ON SUPPLY OF ELECTRICITY TO EX-FATA/PATA

Currently, the supply of electricity to residential, commercial, and industrial units in the erstwhile FATA/PATA is exempt until 30.06.2025. To genuinely ease the burden on the electricity consumers in these areas and support their growth and development, it is strongly proposed that this important exemption be extended until 30.06.2026.

EXEMPTIONS STREAMLINING OF EXEMPTION ON IMPORT OF CYSTAGON, CYSTA DROPS & TRIENTINE CAPSULES

To streamline the aforementioned exemption, the condition 'for personal use only', which has been causing hardship for patients, is proposed to be omitted to better accommodate the limited number of patients who have repeatedly requested its removal.

Exemptions relating to Iron and Steel Scrap

Presently, the local supply of iron and steel scrap—excluding those supplied by manufacturer-cum-exporters of recycled copper authorized under the Export Facilitation Scheme, 2021—is currently exempt from sales tax. The Bill passionately advocates for extending this exemption to cover the local supply of iron and steel scrap, with the exception of those supplied directly by:

- (i) manufacturer-cum-exporters of recycled copper, authorized under the Export Facilitation Scheme, 2021, to registered steel melters—subject to such apportionment, conditions, and restrictions as may be specified—and
- (ii) importers to registered steel melters—also subject to such apportionment, conditions, and restrictions as may be determined..

EXEMPTION OF SALES TAX ON IMPORT OR LEASE OF AIRCRAFTS BY PAKISTAN INTERNATIONAL AIRLINES

To truly support the privatization of Pakistan International Airlines, it is essential to advocate for an exemption from sales tax on the import or lease of aircraft. This measure can play a pivotal role in revitalizing the airline and securing a stronger future for our national carrier.

ISLAMABAD CAPITAL TERRITORY
(TAX ON SERVICES) ORDINANCE, 2001

The proposed budgetary measures pertaining to Sales Tax on Services for FY 2025-26 are:

REVENUE MEASURES

Seamless integration of service providers with the Board's computerized system to ensure real-time reporting of taxable service activity—guided by a clear and prescriptive General Order on mode and manner.

The Board will also introduce a Negative List of exempt services, paving the way for a harmonious, smooth, and gradual shift from the positive to the negative list. This strategic move will significantly broaden the scope of

services subject to service sales tax within the Islamabad Capital Territory, fostering fairness and transparency.

STREAMLINING MEASURES

The exemption of sales tax on services acquired by diplomats and diplomatic missions, aligned with the exemptions outlined in the Sales Tax Act, 1990. This alignment is driven by a desire for consistency and a unified regime on goods and services, ensuring fairness and clarity for those who serve on diplomatic missions.