

**SIGNIFICANT AMENDMENTS  
PROPOSED THROUGH  
FINANCE BILL 2024**

## Table of Contents

### 1 Individual Tax Developments

|      |                                                                         |   |
|------|-------------------------------------------------------------------------|---|
| 1.1  | Tax rates for non-salaried individuals and Association of Persons (AOP) | 1 |
| 1.2  | Salaried taxpayers                                                      | 1 |
| 1.3  | Capital gains on disposal of immovable property                         | 3 |
| 1.4  | Advance tax on sale or transfer of immovable property                   | 3 |
| 1.5  | Advance tax on purchase of immovable property                           | 4 |
| 1.6  | Principles of taxation of AOP                                           | 4 |
| 1.7  | Power to enforce filing of return of income                             | 4 |
| 1.8  | Wealth statement                                                        | 5 |
| 1.9  | Rate of withholding tax on telephone/ internet users                    | 5 |
| 1.10 | Enhanced tax rates for late filers                                      | 5 |
| 1.11 | Enhanced tax rates for non-filers                                       | 5 |

### 2 Corporate Tax Developments

|      |                                                                                       |    |
|------|---------------------------------------------------------------------------------------|----|
| 2.1  | Exports                                                                               | 7  |
| 2.2  | Quarterly advance tax                                                                 | 7  |
| 2.3  | Taxation of banking companies                                                         | 7  |
| 2.4  | Option to obtain exemption certificate withdrawn                                      | 8  |
| 2.5  | Deduction of tax on payment against sale of shares of a private company               | 8  |
| 2.6  | Advance tax on sales to distributors, dealers, and wholesalers                        | 8  |
| 2.7  | Advance tax on sales to retailers                                                     | 9  |
| 2.8  | Consequences of non-furnishing of return of income in case of a discontinued business | 9  |
| 2.9  | Default surcharge                                                                     | 10 |
| 2.10 | Tax appeals system                                                                    | 10 |
| 2.11 | Rate of tax on dividend income                                                        | 10 |
| 2.12 | Rates of tax on capital gain on disposal of securities                                | 11 |
| 2.13 | Withholding tax on toll manufacturing                                                 | 13 |
| 2.14 | Advance tax on purchase, registration and transfer of motor vehicles                  | 13 |

### 3 International Tax Developments

|     |                             |    |
|-----|-----------------------------|----|
| 3.1 | Transaction with associates | 14 |
|-----|-----------------------------|----|

### 4 Indirect Tax Developments

|      |                                                                |    |
|------|----------------------------------------------------------------|----|
| 4.1  | Electronic invoice and Licensed Integrator                     | 15 |
| 4.2  | Taxability of medicament                                       | 15 |
| 4.3  | Sales tax on cellular Phones                                   | 15 |
| 4.4  | Goods chargeable to sales tax at retail price (Third Schedule) | 16 |
| 4.5  | Goods chargeable to sales tax at zero rate (Fifth Schedule)    | 16 |
| 4.6  | Goods exempt from sales tax (Sixth Schedule)                   | 17 |
| 4.7  | Goods subject to sales tax at reduced rates (Eight Schedule)   | 19 |
| 4.8  | Tax fraud                                                      | 20 |
| 4.9  | De-registration, blacklisting and suspension of registration.  | 20 |
| 4.10 | Returns                                                        | 20 |
| 4.11 | Certain transaction not admissible                             | 20 |
| 4.12 | Value of supply                                                | 20 |
| 4.13 | Time of supply                                                 | 21 |
| 4.14 | Default surcharge                                              | 21 |
| 4.15 | Audit of sales tax affairs                                     | 21 |

|          |                                                                                                     |           |
|----------|-----------------------------------------------------------------------------------------------------|-----------|
| 4.16     | Investigative audit                                                                                 | 21        |
| 4.17     | Assessment proceedings                                                                              | 21        |
| 4.18     | Increase in sales tax withholding                                                                   | 23        |
| 4.19     | Offences and penalties                                                                              | 23        |
| 4.20     | Default surcharge                                                                                   | 24        |
| 4.21     | Offences, penalties, fines, and allied matters                                                      | 24        |
| 4.22     | Pecuniary jurisdiction in appeal                                                                    | 25        |
| 4.23     | Savings                                                                                             | 25        |
| 4.24     | Amendments in the First Schedule                                                                    | 25        |
| 4.25     | Amendments in the Third Schedule                                                                    | 26        |
| 4.26     | Resolution of controversies through Appellate Tribunal, Alternate Dispute Resolution and High Court | 26        |
| 4.27     | Power to determine the customs value                                                                | 28        |
| 4.28     | Punishment for offences                                                                             | 28        |
| 4.29     | Delegation of powers                                                                                | 31        |
| 4.30     | Intelligence Bureau to assist the officers of customs                                               | 31        |
| 4.31     | Detention, seizure and confiscation of prohibited Goods                                             | 31        |
| 4.32     | Formulation of new directorates                                                                     | 31        |
| 4.33     | Amendments in First Schedule                                                                        | 32        |
| 4.34     | Amendments in Fifth Schedule                                                                        | 33        |
| 4.35     | Changes in Additional Customs Duty (ACD) and Regulatory Duty (RD)                                   | 37        |
| 4.36     | Amendments in the Petroleum Products (Petroleum Levy) Ordinance, 1961                               | 37        |
| <b>5</b> | <b>List of Abbreviations</b>                                                                        | <b>38</b> |

## 1. Individual Tax Developments

### 1.1. Tax rates for non-salaried individuals and Association of Persons (AOPs)

Rates of tax for non-salaried individuals and AOPs, and corresponding income slabs are revisited with the highest being 45% on the income exceeding RS.5.6 million as against the existing income slab of RS.4 million taxable @ 35%. The number of slabs are proposed to be reduced from 7 to 6. For taxpayers deriving income more than RS.500 million, total tax incidence will be 55% including super tax @ 10%. Our analysis on the impact of proposed changes is as follows:

| Taxable income                       |                                | Tax Year 2024<br>(Current)<br>Amount in Rs. | Tax Year 2025<br>(Proposed)<br>Amount in Rs. | Increase in<br>tax<br>incidence<br>Amount in<br>Rs. | Percentage<br>increase<br>(%) |
|--------------------------------------|--------------------------------|---------------------------------------------|----------------------------------------------|-----------------------------------------------------|-------------------------------|
| Income per<br>month<br>Amount in Rs. | Annual income<br>Amount in Rs. |                                             |                                              |                                                     |                               |
| 50,000                               | 600,000                        | -                                           | -                                            | -                                                   |                               |
| 60,000                               | 720,000                        | 9,000                                       | 18,000                                       | 9,000                                               | 100.00                        |
| 66,667                               | 800,001                        | 15,000                                      | 30,000                                       | 15,000                                              | 100.00                        |
| 83,333                               | 1,000,000                      | 45,000                                      | 60,000                                       | 15,000                                              | 33.33                         |
| 100,000                              | 1,200,001                      | 75,000                                      | 90,000                                       | 15,000                                              | 20.00                         |
| 125,000                              | 1,500,000                      | 135,000                                     | 150,000                                      | 15,000                                              | 11.11                         |
| 133,333                              | 1,600,001                      | 155,000                                     | 170,000                                      | 15,000                                              | 9.68                          |
| 166,667                              | 2,000,000                      | 235,000                                     | 290,000                                      | 55,000                                              | 23.40                         |
| 200,000                              | 2,400,001                      | 315,000                                     | 410,000                                      | 95,000                                              | 30.16                         |
| 233,333                              | 2,800,000                      | 415,000                                     | 530,000                                      | 115,000                                             | 27.71                         |
| 250,000                              | 3,000,001                      | 465,000                                     | 590,000                                      | 125,000                                             | 26.88                         |
| 266,667                              | 3,200,001                      | 525,000                                     | 650,000                                      | 125,000                                             | 23.81                         |
| 291,667                              | 3,500,000                      | 615,000                                     | 770,000                                      | 155,000                                             | 25.20                         |
| 333,333                              | 4,000,001                      | 765,000                                     | 970,000                                      | 205,000                                             | 26.80                         |
| 375,000                              | 4,500,000                      | 940,000                                     | 1,170,000                                    | 230,000                                             | 24.47                         |
| 466,667                              | 5,600,001                      | 1,325,000                                   | 1,610,000                                    | 285,000                                             | 21.51                         |
| 583,333                              | 7,000,000                      | 1,815,000                                   | 2,240,000                                    | 425,000                                             | 23.42                         |

### 1.2. Salaried taxpayers

A salaried taxpayer is an individual whose income chargeable under the head "salary" exceeds 75% of his taxable income for the year. The Bill has proposed to change the income slabs for salaried individuals by

reducing the tax base, however the highest slab rate remained unchanged at 35% on income exceeding Rs. 4.1 million as against the existing threshold of Rs. 6 million taxable at 35%. This will result in increase in the tax burden on salaried individuals. Our analysis on the impact of proposed changes is as follows:

| Taxable income               |                             | Tax incidence               |                             | Increase in tax incidence Amount in Rs. | Percentage Increase (%) |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------------------|-------------------------|
| Monthly Salary Amount in Rs. | Annual Salary Amount in Rs. | Tax Year 2024 Amount in Rs. | Tax Year 2025 Amount in Rs. |                                         |                         |
| 50,000                       | 600,000                     | -                           | -                           | -                                       | -                       |
| 75,000                       | 900,000                     | 7,500                       | 15,000                      | 7,500                                   | 100.00                  |
| 100,000                      | 1,200,001                   | 15,000                      | 30,000                      | 15,000                                  | 100.00                  |
| 125,000                      | 1,500,000                   | 52,500                      | 75,000                      | 22,500                                  | 42.86                   |
| 150,000                      | 1,800,000                   | 90,000                      | 120,000                     | 30,000                                  | 33.33                   |
| 183,333                      | 2,200,001                   | 140,000                     | 180,000                     | 40,000                                  | 28.57                   |
| 200,000                      | 2,400,001                   | 165,000                     | 230,000                     | 65,000                                  | 39.39                   |
| 250,000                      | 3,000,000                   | 300,000                     | 380,000                     | 80,000                                  | 26.67                   |
| 266,667                      | 3,200,001                   | 345,000                     | 430,000                     | 85,000                                  | 24.64                   |
| 300,000                      | 3,600,001                   | 435,000                     | 550,000                     | 115,000                                 | 26.44                   |
| 341,667                      | 4,100,001                   | 572,500                     | 700,000                     | 127,500                                 | 22.27                   |
| 350,000                      | 4,200,000                   | 600,000                     | 735,000                     | 135,000                                 | 22.50                   |
| 500,000                      | 6,000,001                   | 1,095,000                   | 1,365,000                   | 270,000                                 | 24.66                   |
| 700,000                      | 8,400,000                   | 1,935,000                   | 2,205,000                   | 270,000                                 | 13.95                   |
| 750,000                      | 9,000,000                   | 2,145,000                   | 2,415,000                   | 270,000                                 | 12.59                   |
| 850,000                      | 10,200,000                  | 2,565,000                   | 2,835,000                   | 270,000                                 | 10.53                   |
| 1,000,000                    | 12,000,000                  | 3,195,000                   | 3,465,000                   | 270,000                                 | 8.45                    |
| 1,250,000                    | 15,000,000                  | 4,245,000                   | 4,515,000                   | 270,000                                 | 6.36                    |

### 1.3. Capital gains on disposal of immovable property

The rates of tax on capital gains arising on disposal of immovable property is proposed to be replaced as under:

| S. No. | Holding Period                                                              | Rate of Tax (%) |                      |       | Rate of Tax on properties acquired on or after 01 July 2024                                                                                                                                                                                                                                                                                                                                                             |
|--------|-----------------------------------------------------------------------------|-----------------|----------------------|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|        |                                                                             | Open Plots      | Constructed Property | Flats |                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 1.     | Where the holding period does not exceed one year                           | 15              | 15                   | 15    | 15% for persons appearing on ATL on the date of disposal of property and at the rates specified in Division I for individuals and AOPs and Division II for companies in respect of persons not appearing on ATL on the date of disposal of property:<br><br>Provided that the rate of tax for individuals and AOPs not appearing on ATL on the date of disposal, the rate of tax shall not be less than 15% of the gain |
| 2.     | Where the holding period exceeds one year but does not exceed two years     | 12.5            | 10                   | 7.5   |                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 3.     | Where the holding period exceeds two years but does not exceed three years  | 10              | 7.5                  | 0     |                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 4.     | Where the holding period exceeds three years but does not exceed four years | 7.5             | 5                    | -     |                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 5.     | Where the holding period exceeds four years but does not exceed five years  | 5               | 0                    | -     |                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 6.     | Where the holding period exceeds five years but does not exceed six years   | 2.5             | -                    | -     |                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 7.     | Where the holding period exceeds six years                                  | 0               | -                    | -     |                                                                                                                                                                                                                                                                                                                                                                                                                         |

The Bill has not proposed any change in the tax incidence on disposal of immovable property purchased on or before 30 June 2024. However, the Bill has proposed to tax the capital gain on disposal of immovable property purchased on or after 01 July 2024 at 15% for persons appearing in ATL on the date of disposal of property. In case of persons not appearing in ATL, the gain on disposal of immovable property will be taxed at the applicable general rate of tax for corporate and non-corporate persons. The rate of tax for individuals and AOPs not appearing in ATL shall not be less than 15%.

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

Currently, a fixed rate of advance tax on sale of immovable property has been prescribed @ 3% of the consideration received. The Bill proposes to replace this rate based on the gross amount of consideration received upon such sale as under:

| Description                                                                                                         | Rate of Tax<br>% |
|---------------------------------------------------------------------------------------------------------------------|------------------|
| Where the gross amount of consideration received does not exceed Rs. 50 million                                     | 3                |
| Where the gross amount of consideration received does not exceed Rs. 50 million but does not exceed Rs. 100 million | 3.5              |
| Where the gross amount of consideration received exceeds Rs. 100 million                                            | 4                |

#### 1.5. Advance tax on purchase of immovable property

Currently, the Ordinance has prescribed a fixed rate of advance tax on purchase of immovable property @ 3% of the fair market value of the immovable property. The Bill proposes to replace this rate based on the fair market value of immovable property ranging from 3% to 4% as under:

| Description                                                                           | Rate of Tax<br>% |
|---------------------------------------------------------------------------------------|------------------|
| Where the fair market value does not exceed Rs. 50 million                            | 3                |
| Where the fair market value exceed Rs. 50 million but does not exceed Rs. 100 million | 3.5              |
| Where the fair market value exceeds Rs. 100 million                                   | 4                |

#### 1.6. Principles of taxation of AOP

Presently share of profit from an AOP is not separately taxable in the hands of its members provided tax due on the income of such AOP has been duly paid.

The Bill proposes to insert a condition that such tax exemption on share of profit from AOP will be available to the members upon submission of audited financial statements by the AOP along with its return of income. This proposed amendment will be applicable for AOPs having turnover of Rs. 300 million or more for the current year or for any preceding tax year.

#### 1.7. Power to enforce filing of return of income

Through the Finance Act, 2022; an amendment was introduced to broaden the tax base, whereby the Board was empowered to impose restriction for use of certain amenities on persons who fail to file the return of income. The restrictions currently in place are as under:

- Disabling of mobile phones or mobile phone sims;
- Discontinuance of electricity connection; and
- Discontinuance of the gas connection.

The Bill seeks to further empower the Board to put restrictions on foreign travel of such person. This restriction, however, will not apply on the following person -

- Minors
- Students
- Person who is either holder of a National Identity Card for Overseas Pakistanis (NICOP)
- Covered under the class or classes of persons specifically notified by the Board in this regard.

### 1.8. Wealth statement

At present, the Commissioner is empowered to require an individual to submit his wealth statement duly disclosing details of assets either held in his own name or in the name of person's spouse, minor children, and other dependents.

The proposed amendment has now mandated the Commissioner to ask for the disclosure of foreign assets alongside domestic assets in the wealth statement.

### 1.9. Rate of withholding tax on telephone/ internet users

The standard rate of tax withholding applicable to telephone/internet users remain unchanged (i.e., 15%). The Bill proposes to enhance such rate to 75% of the amount of bill or sale price of prepaid internet/ telephone card for persons who despite being required to file their returns of income fail to do so (even after issuance of a notice requiring them to file a return of income) and their names are appearing in the income tax general order issued by the Board in this regard.

### 1.10. Enhanced tax rates for late filers

The Bill proposes separate rates for deduction or collection of advance tax on the sale, purchase, or transfer of immovable property for a person who do not file return of income and only in the event of transaction of sale, purchase, or transfer of immovable property files the return of income in order to appear on ATL to avoid higher rates for non-filers. The proposed rates are higher than those for timely filers but lower than those for non-filers and are as follows:

| S. No. | Sale, purchase or transfer of immovable property                                                                                  | Proposed Tax rate % |
|--------|-----------------------------------------------------------------------------------------------------------------------------------|---------------------|
| 1      | Where the gross amount of consideration received, or fair market value does not exceed Rs. 50 million                             | 6                   |
| 2      | Where the gross amount of consideration received, or fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million | 7                   |
| 3      | Where the gross amount of consideration received, or fair market value exceeds Rs. 100 million                                    | 8                   |

This tiered approach aims to maintain the incentive for timely tax compliance while offering a middle ground for those who file late, ensuring they do not benefit from the same rates as available to compliant taxpayers.

### 1.11. Enhanced tax rates for non-filers

It is proposed to further increase the current rates for tax deduction or collection for individuals who are not on ATL, as outlined in the Tenth Schedule of the Ordinance, for certain transactions. This initiative aims to heighten the financial impact of non-compliance, thereby encouraging non-filers to file their returns of income and take advantage of reduced tax rates. The increased tax rates for specific transactions, aimed at this category of taxpayers, are specified as follows:

| S. No. | Description                                                                                | Tax Rates  |            |
|--------|--------------------------------------------------------------------------------------------|------------|------------|
|        |                                                                                            | Proposed % | Existing % |
| 1.     | Yield or profit on debt                                                                    | 35         | 30         |
| 2.     | Gross amount of consideration received on sale or transfer of immovable property           | 10         | 6          |
| 3.     | Gross amount of sale to distributors, dealers or wholesalers other than sale of fertilizer | 2          | 0.2        |
| 4.     | Gross amount of sale to retailers                                                          | 2.5        | 1          |
| 5.     | Purchase or transfer of immovable property:                                                |            |            |
|        | Where the fair market value does not exceed Rs. 50 million                                 | 12         | 10.5       |
|        | Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million     | 16         |            |
|        | Where the fair market value exceeds Rs. 100 million                                        | 20         |            |

## **2. Corporate Tax Developments**

### **2.1. Exports**

The proposed legislation seeks to introduce an extra advance tax @ 1% on the proceeds from export of goods by exporters. This would be on top of the existing 1% tax that foreign exchange dealers or banking companies already deduct on the proceeds from export of goods. Additionally, it appears from the language of proposed amendment that tax deducted (other than additional advance tax collection of 1%) would be considered a minimum tax liability. As a result, income derived from exports would be subject to Normal Tax Regime (NTR).

### **2.2. Quarterly advance tax**

The Bill proposes to authorize the Commissioner in the event a taxpayer fails to disclose his turnover, or if the turnover for the quarter is unknown, the quarterly advance tax should be calculated as 120% of the turnover from the latest tax year for which the taxpayer has filed a return, compared to the current rate of 110%.

Additionally, the Commissioner is proposed to have the authority to reject a taxpayer's estimate of advance tax if the supporting documentary evidence is deemed unsatisfactory or if the estimate does not include necessary details as required by law. In such cases, the taxpayer will be required to pay advance tax based on the tax-to-turnover ratio for the latest assessed tax year applied on the turnover of the quarter. The proposed amendment that would give the Commissioner the power to reject the estimate filed by a taxpayers of his advance tax was initially introduced by the Finance Act, 2018. However, this provision was later repealed by the Finance Act, 2021.

The Bill mandates that taxpayers provide the following details to the Commissioner when calculating the estimate of the tax payable for the quarter:

- Turnover for the completed quarters of the relevant tax year;
- Estimated turnover for the remaining quarters;
- Documentary evidence supporting the estimated expenses or deductions used in computing income;
- Evidence of tax payments and tax credits, along with the computation of the estimated taxable income.

The requirement of submission of the aforementioned information seems duplication, as it is already covered in section 147(6) of the Ordinance.

### **2.3. Taxation of banking companies**

- ***Provision for advances and off-balance sheet items***

Specific Rules are provided for allowability of provisions for advances and off-balance sheet items. In terms of the above Rules, presently, bad debts classified as 'sub-standard' or 'doubtful' under the Prudential Regulations issued by the State Bank of Pakistan (SBP), are not allowable as an expense.

With the adoption of International Financial Reporting Standard 9 - Financial Instruments (IFRS-9), Banks are now required to provide for possible future credit losses against advances, off-balance sheet

items or any other financial asset classified in Stage I, II or III as performing, under-performing and non-performing.

The Bill proposes to disregard any provision made in its annual accounts classified as above while working out its taxable income. This will be allowed when the debt pertaining to non-performing assets is classified as 'loss' under the Prudential Regulations issued by the SBP.

The Bill also proposes to disregard any provision or Expected Credit Loss for advances and off-balance sheet items or any other financial asset under IFRS-9 which existed before or after 01 January 2024.

- ***Notional gains and losses***

Under the law, any adjustment made in the annual accounts on account of application of International Accounting Standards 39 and 40 is to be disregarded while working out the taxable income of such company.

Pursuant to adoption of IFRS-9, the Bill now proposes that adjustments made in the annual accounts of a banking company due to any applicable accounting standard, policy, guidelines, or instructions of SBP shall be excluded in computing the taxable income.

- ***Levy of super tax***

The Bill proposes to clarify that super tax shall be leviable on banking companies for the tax year 2023 and for all subsequent tax years.

#### **2.4. Option to obtain exemption certificate withdrawn**

The Bill proposes to abolish the concept of issuance of 'exemption certificate' for tax withholding from payments to resident persons or non-resident persons having permanent establishment in Pakistan (for sale of goods or execution of contracts). Instead, such persons would be entitled to obtain 'reduced rate withholding certificate'.

#### **2.5. Deduction of tax on payment against sale of shares of a private company**

Through enactment of the Finance (Supplementary) Act, 2023, every person acquiring shares of a company, other than a listed company, is required to deduct tax @ 10% of the FMV of the shares so acquired, from the gross amount being paid as consideration for the shares.

The Bill seeks to amend the aforesaid provisions whereby it is proposed that withholding of tax is required either at the time of making actual payment of the consideration or registration of shares with the SECP/ SBP, as the case may be, whichever is earlier. Consequently, it seems that deduction of tax will be required where shares have been registered even if actual payment against the same has not been made.

The Bill also proposes to introduce penalty equal to 50% of the tax involved, for non-compliance of the above withholding tax provisions.

#### **2.6. Advance tax on sales to distributors, dealers, and wholesalers**

Manufacturers or commercial importers engaged in pharmaceuticals, poultry and animal feed, edible oil and ghee, auto-parts, tyres, varnishes, chemicals, cosmetics, IT equipment electronics, sugar, cement, iron

and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint, or foam sectors are mandated to collect advance tax at specified rates at the time of sales to distributors, dealers, and wholesalers.

The Bill now proposes to expand the scope of this advance tax collection to encompass all items sold by manufacturers or commercial importers to distributors, dealers, and wholesalers.

## **2.7. Advance tax on sales to retailers**

Manufacturers, distributors, dealers, wholesalers, or commercial importers operating in pharmaceuticals, poultry and animal feed, edible oil and ghee, auto-parts, tyres, varnishes, chemicals, cosmetics, IT equipment electronics, sugar, cement, iron and steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint, or foam sectors are obligated to collect advance tax at specified rates during sales to retailers. Additionally, every distributor or dealer transferring goods to other wholesalers within these sectors are also subject to this requirement.

The Bill now proposes to broaden the application of this advance tax collection to include all items sold by manufacturers, distributors, dealers, wholesalers, or commercial importers to retailers and distributor or dealer to another dealer, distributor, or wholesalers.

## **2.8. Consequences of non-furnishing of return of income in case of a discontinued business**

Every person discontinuing a business is required to notify the Commissioner in writing, of such discontinuance. Moreover, such person is also required to furnish a return of income for the period commencing on the first day of the tax year in which the discontinuance occurred till the date of discontinuance.

Where notice of discontinuance is not filed by a person, and the Commissioner has reasons to believe that such person has discontinued or is likely to discontinue his business, he may require such person, through a notice, to file a return of income for a specified period within the time specified in the notice.

Currently, if a person fails to comply with the notice issued as above, no penal actions has been prescribed under the law.

The Bill proposes to introduce penalty for non-filing of return in respect of a discontinued business, pursuant to a notice issued by the Commissioner, which is to be levied at the higher of:

- (a) 0.1% of the tax payable in respect of that tax year for each day of default; or
- (b) Rs.1,000 per day of default

The minimum penalty is proposed at Rs.10,000 for individuals and Rs.50,000 in all other cases.

Similarly, non-filing of return of income in respect of a discontinued operation, pursuant to a notice issued by the Commissioner, is proposed to be considered as a prosecutable offence and may entail fine or imprisonment for a term not exceeding one year, or both. Any subsequent default may further entail a fine not exceeding Rs.50,000 or imprisonment for a term not exceeding 2 years, or both. Additionally, the Bill also proposes that such person if fails to furnish his last return of income, the Commissioner may proceed with best judgement assessment.

## **2.9. Default surcharge**

The Bill proposes to impose a default surcharge at the Karachi Interbank Offered Rate (KIBOR) plus an additional three percent (3%) per annum. At present, the surcharge is set at a flat rate of 12%, which is substantially lower than the prevailing interbank rate.

This modification is intended to bring the surcharge in line with the current economic and market conditions, thus creating a deterrent against late payment of taxes.

## **2.10. Tax appeals system**

On 03 May 2024, the Tax Laws (Amendment) Act, 2024 (TLAA) was enacted bringing significant changes in the appeal procedures provided in the federal tax laws. According to the changes introduced, pecuniary thresholds were prescribed for appeals to be filed against orders passed by the Revenue Officers. For cases concerning income tax, a pecuniary threshold of Rs.20 million has been introduced according to which where the 'value of assessment of tax' or 'refund of tax', as the case may be, in an order passed by a Revenue Officer exceeds this limit, the appeal would lie directly to the Appellate Tribunal. In other cases i.e. below the threshold of Rs.20 million, the appeal would be filed before the Commissioner (Appeals). The next forum in both cases would be the High Court.

Owing to varied interpretations from different quarters on the above two terms, the Bill proposes to define the following:

- 'Value of assessment of tax' means the net increase in tax liability as a result of order sought to be assailed
- 'Value of refund' means net reduction in [tax] refund as a result of order sought to be assailed

While the amendments in the procedure of appeals took effect from 03 May 2024, all appeals that were hit by the pecuniary threshold of Rs.20 million and were pending before the Commissioner (Appeals) were to be transferred to the Appellate Tribunal by 16 June 2024. The Bill proposes to replace this date with 16 September 2024 as if this was the original date for transfer of appeals.

The Bill also proposes to clarify that the time limit for filing of appeals in respect of appellate orders passed by the Commissioner (Appeals) or the Appellate Tribunal and served before 03 May 2024 would be as per the unamended provisions before promulgation of TLAA.

## **2.11. Rate of tax on dividend income**

The rates of tax on dividend, including dividends received from mutual funds remains unchanged for the TY 2024. However, the Bill proposes to tax dividend received from a mutual fund deriving 50% or more of its income through profit on debt @25%.

Corresponding changes have also been made in the withholding tax provisions.

## 2.12. Rates of tax on capital gain on disposal of securities

The tax rates on capital gains arising on sale of securities have been proposed to be replaced.

For securities purchased on or before 30 June 2024, there is no change proposed by the Bill. However, it has been proposed to rescind the concessional rate of tax on sale of securities based on the holding period of securities purchased on or after 01 July 2024 by charging the said income @ 15% for persons appearing in ATL on the date of acquisition as well as on the date of disposal. In case of persons not appearing in ATL, capital gain is proposed to be taxed at the corporate tax rate for companies, and applicable slab rate with a minimum rate of 15% for individuals and AOPs. The proposed rates of capital gain tax on securities for the Tax Year 2024 and onwards are as under:

| S.No. | Holding Period                                 | Rate of Tax on disposal of securities acquired before 01 July 2013 | Rate of Tax on disposal of securities acquired between 01 July 2022 and 30 June 2024 (both dates inclusive) | Rate of Tax on disposal of securities acquired between 01 July 2022 and 30 June, 2024 (both dates inclusive) | Rate of Tax on disposal of securities acquired on or after 01 July 2024                                                                                                                                                                                                                             |
|-------|------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.    | Less than one year                             | 0%                                                                 | 12.5%                                                                                                       | 15%                                                                                                          | 15% for persons appearing on the ATL on the date of acquisition and the date of disposal of securities and at the rate specified in Division I for individuals and AOPs and Division II for companies in respect of persons not appearing on ATL on the date of acquisition and date of disposal of |
| 2.    | More than one year but less than two years     |                                                                    |                                                                                                             | 12.5%                                                                                                        |                                                                                                                                                                                                                                                                                                     |
| 3.    | More than two years but less than three years  |                                                                    |                                                                                                             | 10%                                                                                                          |                                                                                                                                                                                                                                                                                                     |
| 4.    | More than three years but less than four years |                                                                    |                                                                                                             | 7.5%                                                                                                         |                                                                                                                                                                                                                                                                                                     |
| 5.    | More than four years but less than five years  |                                                                    |                                                                                                             | 5%                                                                                                           |                                                                                                                                                                                                                                                                                                     |
| 6.    | More than five years but less than six years   |                                                                    |                                                                                                             | 2.5%                                                                                                         |                                                                                                                                                                                                                                                                                                     |
| 7.    | More than six years                            |                                                                    |                                                                                                             | 0%                                                                                                           |                                                                                                                                                                                                                                                                                                     |

| S.No. | Holding Period                                                                         | Rate of Tax on disposal of securities acquired before 01 July 2013 | Rate of Tax on disposal of securities acquired between 01 July 2022 and 30 June 2024 (both dates inclusive) | Rate of Tax on disposal of securities acquired between 01 July 2022 and 30 June, 2024 (both dates inclusive) | Rate of Tax on disposal of securities acquired on or after 01 July 2024                    |
|-------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
|       |                                                                                        |                                                                    |                                                                                                             |                                                                                                              | securities:<br>Provided that the rate of tax for individuals and AOPs not appearing on ATL |
| 8     | Future commodity contracts entered into by the members of Pakistan Mercantile Exchange | 5%                                                                 | 5%                                                                                                          | 5%                                                                                                           | 5.5%                                                                                       |

In respect of debt securities, the tax rate for companies remains at 29%.

While for mutual funds, collective investment scheme or REIT scheme, capital gain tax on redemption is proposed to increase from 10% and shall be deducted as follows:

| Category            | Rate                                       |
|---------------------|--------------------------------------------|
| Individual and AOPs | 15% for stock funds<br>15% for other funds |
| Company             | 15% for stock funds<br>25% for other funds |

It is further provided that in case of stock funds where dividend income is less than capital gains, the rate of tax withholding is proposed to increase from 12.5% to 20%.

Further, no capital gain shall be deducted, if the holding period of the securities acquired on or before 30 June 2024 is more than six years. This proviso shall be applicable only in case of mutual fund or collective investment scheme or REIT scheme.

### 2.13. Withholding tax on toll manufacturing

The rate of withholding tax on payments to be made on account of sale of goods by a toll manufacturer has been proposed to increase from 5% to 9% in the case of a Company and 11% from the existing rate of 5.5% in other cases.

### 2.14. Advance tax on purchase, registration and transfer of motor vehicles

The Bill has proposed to revise the rates of collection of advance tax on purchase, registration and transfer of motor vehicles, which are as under:

| Engine Capacity  | Existing Amount in Rs. | Proposed %        |
|------------------|------------------------|-------------------|
| Up to 850cc      | 10,000                 | 0.5% of the value |
| 851cc to 1000cc  | 20,000                 | 1% of the value   |
| 1001cc to 1300cc | 25,000                 | 1.5% of the value |
| 1301cc to 1600cc | 50,000                 | 2% of the value   |
| 1601cc to 1800cc | 150,000                | 3% of the value   |
| 1801cc to 2000cc | 200,000                | 5% of the value   |
| 2001cc to 2500cc | 6% of the value        | 7% of the value   |
| 2501cc to 3000cc | 8% of the value        | 9% of the value   |
| Above 3000cc     | 10% of the value       | 12% of the value  |

### **3. International Tax Developments**

#### **3.1. Transaction with associates**

In relation to transactions between associates, the Commissioner is empowered to distribute, apportion, or allocate income, expenditures, or tax credits between associates.

The Bill proposes to introduce a new condition whereby, notwithstanding the arm's length principle, claim of expenditure in respect of sales promotion, advertisement, and publicity (SAP) would be allowed to the extent of 75% of the total expenditure where any amount, in addition to SAP is claimed on account of royalty paid or payable directly or indirectly to an associate for the tax year or for any of the two preceding tax years. The remaining 25% of SAP expense will be disallowed and allocated to the associate.

In this context, royalty is considered to be attributable to consideration on account of use of, or the right to use brand name, logo, patent, invention, design or model, secret formula or process, copyright, trademark, scientific or technical knowledge, franchise, license, intellectual property, or other like property or right or contractual right.

It would not be out of place to mention that Pakistan source royalty earned by a non-resident person is taxable on gross basis under the Final Tax Regime. Under such circumstances, the SAP expense allocated to the non-resident associate earning royalty from Pakistan would never be allowed as an expense.

It is important to note that the Bill proposes to give retrospective effect to the application of the above principle by making it applicable for the tax year 2024 and onwards.

## 4. Indirect Tax Developments

### Sales Tax

#### 4.1. Electronic invoice and Licensed Integrator

At present The Board is authorized to specify persons or any class of persons to integrate their electronic invoicing system with the Board's computerized system for real-time reporting of sales. It is proposed that every registered person specified by the Board, would be mandatorily required to issues an e-invoice through a system implemented through 'licensed integrator'.

The Bill further proposes to define licensed integrator to mean a person licensed by the Board to provide electronic invoicing system. It is further proposed to prescribe a penalty of one million or 1% of sales suppressed which is higher, for a licensed integrator who fails to integrate system of a registered person as per requirement under the ST Act or ST Rules.

#### 4.2. Taxability of medicament

Through the Finance Act, 2022, reduced rate of 1% was introduced for substances registered as Drugs under the Drug Act 1976. However, there was ambiguity regarding availability of reduced rate on Medicaments. Through the Finance, Act, 2023, Medicaments were allowed reduced rate of 1% with retrospective effect. It is now proposed to withdraw the reduced rate of 1% on Medicaments which would make them taxable at standard rate.

#### 4.3. Sales tax on cellular phones

The Ninth Schedule lists down the persons who are liable to pay sales tax on imported or locally manufactured cellular mobile phones in CKD/CBU form. Presently the tax on import and manufacture of mobile phones are on fixed value or ad valorem rate depending on the value of mobile phones. It is now proposed to have the following uniform ad valorem rates in VAT mode where the manufacturer and can adjust input tax paid at import of CKD/SKD.

| S. No. | Description / Specification of Goods                                                                                                                                                                                 | Sales tax on CBUs at the time of import or registration (IMEI number by CMOs) | Sales tax on import in CKD/ SKD condition | Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4) |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| (1)    | (2)                                                                                                                                                                                                                  | (3)                                                                           | (4)                                       | (5)                                                                                                            |
| 1      | Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category:- |                                                                               |                                           |                                                                                                                |
|        | A. Not exceeding US\$ 500                                                                                                                                                                                            | 18% ad valorem                                                                | 18% ad valorem                            | 18% ad valorem                                                                                                 |

| S. No. | Description / Specification of Goods | Sales tax on CBUs at the time of import or registration (IMEI number by CMOs) | Sales tax on import in CKD/ SKD condition | Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4) |
|--------|--------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------------------------------------|
|        | B. Exceeding US\$ 500                | 25% ad valorem                                                                | 18% ad valorem                            | 18% ad valorem                                                                                                 |

#### 4.4. Goods chargeable to sales tax at retail price (Third Schedule)

- **DAP (UREA):**

The Bill seeks to insert the DAP (urea) in the said Schedule. Currently, DAP is taxable at the reduced rate of 5% on the value of supply subject to the condition that refund of excess input tax, if any, shall not be admissible.

The proposed addition will render the item subject to sales tax at the rate of 5% on retail price.

#### 4.5. Goods chargeable to sales tax at zero rate (Fifth Schedule)

The Bill seeks to withdraw the following entries:

| S. No.      | Description                                                                                                                                                                                                                                                                        | Comments                                                                                                                                                                                                                                                                                                                                 |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12          | Following goods and the raw materials, packing materials, components and etc. for manufacture of following goods:                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                          |
| Xvii        | Preparations suitable for infants, put up for retail sale not exceeding rupees six hundred per two hundred grams.                                                                                                                                                                  | These goods would be taxed on applicable rate.                                                                                                                                                                                                                                                                                           |
| xx to xxvii | Colors in sets (Poster colors)<br>Writing, drawing, and marking inks, Eraser, Exercise books Pencil sharpeners, Other, drawing, marking or mathematical calculating instruments (geometry box), Pens, ball pens, markers, and porous tipped pens, Pencils including color pencils. | Identical entries are also available in Table 1 of Sixth Schedule (86 to 90, 96 to 98) which are also withdrawn.<br><br>The finished goods are proposed to be inserted in Eight Schedule at S.No.84(i to vii) to be taxable at the reduced rate of 10%.<br><br>Whereas raw materials and components would be taxable at applicable rate. |
| 16          | Milk                                                                                                                                                                                                                                                                               | Local supply of milk (excluding sold in retail packing under a brand name) would be exempted through serial 56 of Table II of Sixth Schedule, inserted side by side.                                                                                                                                                                     |

| S. No. | Description                                                                                                                                                                                                                                                      | Comments                                                                                               |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
|        |                                                                                                                                                                                                                                                                  | Effectively, milk sold in retail packing with brand name would be taxable at the standard rate.        |
| 17     | Fat Filled Milk                                                                                                                                                                                                                                                  | Would be subject to tax at standard rate.                                                              |
| 21     | Local supplies of commodities, raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions as specified therein. | The goods purchased by the registered exporters would now be subject to applicable rates of sales tax. |

#### 4.6. Goods exempt from sales tax (Sixth Schedule)

The Bill seeks to withdraw the following entries from Table I, effectively exemption on import and local supply of such goods would no more be available for the following items:

| S. No. | Description                                                                                                                                                                                                      | Comments                                                                                                                                                                                                      |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 13     | Edible vegetables imported from Afghanistan including roots and tubers                                                                                                                                           | The goods would now be subject to tax at standard rate.                                                                                                                                                       |
| 15     | Fruit imported from Afghanistan excluding apples                                                                                                                                                                 |                                                                                                                                                                                                               |
| 32     | Newsprint and books but excluding brochures, leaflets, and directories                                                                                                                                           | Identical entry is now inserted as Serial No.91 of Table I of Eight Schedule for taxing at the reduced rate of 10% subject to the condition that refund of excess input tax, if any, shall not be admissible. |
| 112    | Specified cardiology/cardiac surgery, neurovascular, electrophysiology, endosurgery, endoscopy, oncology, urology, gynecology, disposables and other equipment                                                   | The goods would now be subject to tax at standard rate.                                                                                                                                                       |
| 120    | Specified diagnostic kits or equipment                                                                                                                                                                           |                                                                                                                                                                                                               |
| 151    | Supply of goods and import of plant and machinery by industries located in Tribal areas subject to the conditions as specified.                                                                                  | The same entries are inserted as Serial No.85 and 86 of Table I of Eight Schedule. These would now be taxable at reduced rate of 6% till 30 June 2025 and then 12% till 30 June 2026.                         |
| 152    | Supplies of electricity, as made to all residential and Commercial consumers in tribal areas, and to such industries in the tribal areas which were set and started their industrial production before 31st May, |                                                                                                                                                                                                               |

| S. No. | Description                                                                                                                                                                                                                                                                                      | Comments                                                                                                    |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
|        | 2018, but excluding steel and ghee or cooking oil industries                                                                                                                                                                                                                                     |                                                                                                             |
| 165    | Goods imported by or donated to hospitals run by the non-profit making institutions subject to the similar restrictions, limitations, conditions, and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969, (IV of 1969). | Only the expression 'imported by or' has been omitted, effectively such exemption is now only on donations. |
| 166    | Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.                                                                                                                                                                         | The goods would now be subject to tax at standard rate.                                                     |
| 169    | Oil cake and other solid residues                                                                                                                                                                                                                                                                | Proposed to be subject to reduced rate of 10%.                                                              |
| 170    | Tractor                                                                                                                                                                                                                                                                                          | Proposed to be subject to reduced rate of 10%.                                                              |
| 174    | Machinery and equipment as listed at serial number 32 of the Table of Part-I of Fifth Schedule to the Customs Act, 1969 (IV of 1969), subject to the conditions, limitations and restrictions specified thereunder.                                                                              | The goods would be subjected to tax at standard rate.                                                       |

The Bill seeks to add the following entries in Table I for granting exemptions on import and supply of following goods:

| S. No. | Description                                                                                                                                                                                                           |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 175    | Import of all goods received, in the event of a natural disaster or other catastrophe, as gifts and relief consignments or any goods received as gift or donation from various persons subject to certain conditions. |
| 176    | POL products:<br>(i) MS (Petrol)<br>(ii) High Speed Diesel Oil<br>(iii) Kerosene<br>(iv) Light Diesel Oil                                                                                                             |

The Bill seeks to withdraw the following entries from Table II, effectively exemption on local supply of such goods would no more be available:

| S. No. | Description                                                                                                                         | Comments                                                                                                                                                                                                                         |
|--------|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7      | Vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers | The entry is inserted under serial No.89 of Table I to Eight Schedule for taxing local supply of the same at reduced rate of 10%.                                                                                                |
| 21     | Local Supply of poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal                                 | The entry is inserted under serial No.90 of Table I to Eight Schedule for taxing local supply of the same at the reduced rate of 10%, subject to the condition that refund of excess input tax, if any, shall not be admissible. |

The Bill seeks to insert the following entry in Table II for providing exemption on local supply of following goods:

| S. No. | Description          |
|--------|----------------------|
| 57     | Iron and steel scrap |

#### 4.7. Goods subject to sales tax at reduced rates (Eight Schedule)

The Bill seeks to omit the following entries:

| S. No. | Description                                                                                                                                                                                                                                                                                                                                                                   | Comments                                                |
|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| 58     | Import of LPG and local supply of such imported LPG.                                                                                                                                                                                                                                                                                                                          | The goods would now be subject to tax at standard rate. |
| 66     | Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales if supplied goods are finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather subject to the condition that they have maintained 4% value addition during the last six months |                                                         |
| 73     | Locally manufactured Hybrid electric vehicle:<br>(a) Up to 1800 cc<br>(b) From 1801 cc to 2500 cc                                                                                                                                                                                                                                                                             |                                                         |

The Bill seeks to enhance the sales tax rate on the following goods:

| S. No. | Description                                                                                                                   | Comments                                                         |
|--------|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| 77     | personal computers and laptop computers, notebooks whether or not incorporating multimedia kit, if imported in CBU condition. | The rate of sales tax is proposed to be enhanced from 5% to 10%. |

#### **4.8. Tax fraud**

Scope of 'tax fraud' has been clarified and enlarged to prescribe specific instances which would fall under the ambit of tax fraud. Onus would be on the taxpayer to prove that he is not involved in the tax fraud.

#### **4.9. De-registration, blacklisting and suspension of registration.**

Presently where the Commissioner is satisfied that a registered person has issued fake invoices or engaged in tax fraud, he may blacklist such person. Such action of the Commissioner is appealable before the Appellate Tribunal Inland Revenue.

The Bill now proposes to remove the right to appeal against a blacklisting order before the Appellate Tribunal. Instead, the Chief Commissioner has been empowered to either on his own motion, or upon application from the registered person, may examine the matter after providing opportunity of hearing to the registered person. After examining the record of proceedings of the blacklisting order and after the necessary inquiries, he may modify the blacklisting order as he deems fit.

#### **4.10. Returns**

Every registered person is required to submit monthly sales tax return. In case of non-filing of sales tax return assessing officer can only impose penalty. It is now proposed to bestow power to tax authorities to require any person to submit sales tax return within fifteen days from the date of serving notice or any other period specified in the notice.

Assessing officer may issue notice within a period of five year from the end of financial in which return was due to be filed. However, aforesaid time limit is extended to fifteen years in case of tax fraud.

#### **4.11. Certain transaction not admissible**

A taxpayer is required to make payment through banking channel where a transaction exceeds fifty thousand rupees otherwise, corresponding input tax is disallowed to a registered buyer. It is now proposed to apply above compliance if a transaction exceeds fifty thousand rupees *in aggregate*.

There were certain litigations where the supplier split the invoice to avoid aforesaid compliance. Apparently, the word 'in aggregate' is proposed to be added for avoiding invoice splitting.

#### **4.12. Value of supply**

The Board is empowered to fix the value of supply of goods and imports. It is now proposed to empower the Board's to fix the value of imported goods which are taxable on the basis of retail price as well.

#### **4.13. Time of supply**

The concept of collection of sales tax on advance payments is not new and was recognized earlier as part of the time of supply. However, it was removed earlier through the Finance Act, 2021. Now the Bill proposes to reintroduce advance payments again to the definition of time of supply.

#### **4.14. Default surcharge**

It is proposed to enhance the rate of default surcharge from 12% to KIBOR plus 3%.

#### **4.15. Audit of sales tax affairs**

The Bill has proposed to elaborate mechanism for selection and conduct of tax audit.

The process for selection of tax audit has remained under litigation due to lack of clarity regarding mechanism for audit selection. The Bill now proposes to require Commissioner to communicate reason for audit selection however, the Commissioner is not required to provide any opportunity to taxpayer upon selection of audit proceedings. It is also proposed that the reason shall only be premised on scrutiny of available record and not mere verification of taxpayer's declaration except any risk factors that are identified.

The proposed new law provides detailed procedure for assessment of tax and audit of affairs of the taxpayer in a comprehensive manner. Once the audit proceedings are completed then the assessing officer will shall pass an assessment order after providing opportunity to the taxpayer.

The Bill also proposes to insert new section regarding investigative audit. If during the course of audit, tax authorities suspects that taxpayer is involved in tax fraud then they may move to investigative audit with prior approval of the Commissioner.

#### **4.16. Investigative audit**

In case during an audit if the officer inland revenue suspects that a registered person is involved in tax fraud, he may with the prior approval of the Commissioner, initiate investigative audit against such person. For this purpose, the officer may call further information and collect evidence under other provisions of the Act within 90 days. After completion of the investigative audit the officer may after providing opportunity of hearing may assess due tax by issuing assessment order, in case the taxpayer fails to provide information and record, the Officer may pass best judgment order or may make blacklist the person and impose penalties or other actions on account of tax fraud.

#### **4.17. Assessment proceedings**

Currently, all instances in respect of assessment of tax of a taxpayer are dealt under a single section. The Bill has now proposed to introduce a new section to undertake assessment proceedings which caters to different situations. The instances which have been proposed are as under -

- ***Appeal Effect Orders***

The timeline/procedure for issuance of appeal effect orders is proposed to be aligned with that available in the Income Tax Ordinance, 2001.

- ***Best Judgement Assessment***

The concept of best judgement assessment is proposed to be introduced in the law. Under this provision, if a person fails to file the return, the tax authorities are now empowered to pass an order and recover tax as per their best estimate. It may be noted that corresponding change has also been introduced in the law through which they have been empowered to seek return from such person.

There are various appellate orders which have held that since the law currently do not empower tax authorities to pass a best judgment assessment order, non-compliance of tax audit proceedings could not lead to passing of an ex-parte best judgement assessment. Now this lacuna in law has been catered to and the section now proposes that if a person fails to submit records/documents in compliance of tax audit proceedings, the tax authorities may make best judgement assessment.

Simultaneously, the tax authorities are also being empowered to disallow input tax in case where the taxpayer is unable to provide documentary evidence or circumstances giving rise to such claim.

The above section also proposes that if best judgement assessment takes place due to failure in filing of return, and the taxpayer thereafter files return along with payment of penalty and default surcharge, the best judgment assessment order would not hold the field.

- ***Assessment and Recovery of Tax***

A separate section has been proposed to be introduced which would deals with assessment of tax of a taxpayer in case of following scenarios where the taxpayer has -

- not paid or short paid due sales tax;
- claimed input tax credit or refund which is not admissible; or
- has obtained an amount of refund not due.

Simultaneously, the tax authorities are empowered to disallow input tax in case where the taxpayer is unable to provide documentary evidence or circumstances giving rise to such input tax claim.

It is further proposed that, in case of later two situations mentioned above, the tax amount of tax to be recovered would be proportionate amount based on the value of supply.

- ***Recovery of Short/ Non-Withholding of Sales Tax***

If a person required to withhold tax either fails to withhold tax or having withheld tax fails to deposit the same in the Government treasury, the tax authorities may recover the same from such person along with levy of penalty and default surcharge.

- ***Time Limit for Passing Orders***

A separate section is proposed to be introduced which provides the timeline for issuance of show cause and the maximum time period by which as assessment order could be passed by them. It may be noted that timelines remain same as are currently applicable.

#### 4.18. Increase in sales tax withholding

Sales tax withholding of persons engaged in supply of following items has been proposed to be at 80% of applicable sales tax -

- Person manufacturing lead batteries
- Gypsum or limestone flux under chapter 25
- Coal under chapter 27
- Waster of paper and paper board
- Plastic waste
- Crush stone and silica

#### 4.19. Offences and penalties

- *Revision of Penalties*

Following penalties are proposed to be substituted namely-

| S. No. | Offences                                                                                                                                                                                                                                                                                                                                                                                                               | Existing Penalty                                                                                                                                                                                                                                                                                                                                    | Proposed Penalty                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 11     | Any person who, -<br><br>(a) submits a false or forged document to any officer of Inland revenue; or<br><br>(b) destroys, alters, mutilates, or falsifies the records including a sales tax invoice; or<br><br>(c) Knowingly or fraudulently makes false statement, false declaration, false representation, false personification, gives any false information or issues or uses a document which is forged or false. | Such person shall pay a penalty of Rs.25,000 or one hundred per cent of the amount of tax involved, whichever is higher. 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. | <ul style="list-style-type: none"><li>• A penalty of Rs.25,000 or one hundred percent of the amount of tax evaded or sought to be evaded, whichever is higher.</li><li>• He shall also be liable, upon conviction by a Special Judge to imprisonment for a term up to five years if the tax evaded or sought to be evaded is up to 500 million.</li><li>• Ten years if the tax evaded or sought to be evaded is Rs.1 billion and above.</li></ul> |
| 13     | Any person who commits, causes to commit or attempts to commit the tax fraud, or abets or connives in commissioning of tax fraud.                                                                                                                                                                                                                                                                                      | Such person shall pay a penalty of Rs.25,000 or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable,                                                                                                                                                                                               | <ul style="list-style-type: none"><li>• A penalty of Rs.25,000 or one hundred percent of the amount of tax evaded or sought to be evaded, whichever is higher.</li></ul>                                                                                                                                                                                                                                                                          |

| S. No. | Offences | Existing Penalty                                                                                                                                                                           | Proposed Penalty                                                                                                                                                                                                                                                                                                   |
|--------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|        |          | upon conviction by a Special Judge, to imprisonment for a term which may extend to five years, or with fine which may extend to an amount equal to the loss of tax involved, or with both. | <ul style="list-style-type: none"> <li>• He shall also be liable, upon conviction by a Special Judge to imprisonment for a term up to five years if the tax evaded or sought to be evaded is up to 500 million.</li> <li>• Ten years if the tax evaded or sought to be evaded is Rs.1 billion and above</li> </ul> |

- **Additions in Penalties**

Serial No. 25A levied strict penalties on persons who fails to integrate their business being Tier 1 retailers with FBR systems. Now it is proposed to apply the same penalties on non-compliance of persons who fails to integrate their electronic invoicing system with Board's Computerized System for real time reporting of sales.

After Serial Number 25A following new entry 25AA is proposed to be introduced:

| Offence                                                                                                                                                                                                                              | Penalties                                                                                                                                        | Section of the Act to which offence has reference |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| Any licensed integrator who is authorized to provide electronic invoicing system for integration of registered persons fails to integrate such registered persons in the manner as required under this Act and rules made thereunder | Such person shall be liable to pay penalty of rupees one million or one percent of the total value of the sales suppressed, whichever is higher. | Sub-Section (5) of Section 40C.                   |

## Federal Excise Duty

### 4.20. Default surcharge

Similar to the amendments proposed in the Ordinance and ST Act, the Bill seeks to amend the rate of default surcharge from 12% per annum of the duty due to KIBOR plus 3% per annum.

### 4.21. Offences, penalties, fines, and allied matters

The Bill proposes to impose fine up to Rs.50,000 or five times of duty involved, whichever is higher and to punishment with imprisonment extendable to five years or both on the person who, without the prior permission of the Commissioner, installs plant and machinery, commences production or removes plant and machinery, having value of rupees fifty million and above.

It is also proposed that the retail outlet of any retailer shall be liable to be sealed, in a manner as may be prescribed, who is engaged in the sale of cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes.

#### 4.22. Pecuniary jurisdiction in appeal

Section 33A was inserted through Tax Laws (Amendment) Act, 2024 effective from 03 May 2024, whereby all the cases pending before Commissioner (Appeals) having value of assessment of tax or refund of tax assessed exceeding five million rupees stands transferred to Appellate Tribunal Inland Revenue on the 16th day of June 2024. The Bill now proposes to substitute the date of 16th day of June 2024 with 16th day of September 2024.

#### 4.23. Savings

The Bill seeks to give savings to the time period specified in the relevant sections in respect of filing of appeal before the Appellate Tribunal Inland Revenue or reference to the High Court. Under the proposed amendment, time period specified in the relevant sections for filing appeal of reference shall continue to apply in the cases where the Order of the Commissioner (Appeals) or the Appellate Tribunal Inland Revenue is received prior to the commencement of the Tax Laws (Amendment) Act, 2024.

#### 4.24. Amendments in the First Schedule

The Bill proposes following amendments in Table I of the First Schedule to the FE Act:

| S. No. | Description                                                                                                                                            | Heading/<br>Sub-heading<br>Number | Rate of Duty                  |                                                                                      |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------|--------------------------------------------------------------------------------------|
|        |                                                                                                                                                        |                                   | Existing                      | Proposed                                                                             |
| 8a     | E-liquids by whatsoever name called, for electric cigarette kits.                                                                                      | Respective heading                | Rupees ten thousand per kg    | Rupees ten thousand per kg or sixty five percent of retail price whichever is higher |
| 13     | Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers | 25.23                             | Two rupees per kg             | Three rupees per kg                                                                  |
| 56     | Filter rod for cigarettes                                                                                                                              | Respective headings               | Rupees fifteen hundred per kg | Rupees eighty thousand per kg                                                        |

Currently, under Sr. No. 9 and 10, locally produced cigarettes attract duty at Rs.16,500 per 1,000 cigarettes if their on-pack printed retail price exceeds Rs.9,000 per 1,000 cigarettes and Rs.5,050 per 1,000 cigarettes if their on-pack printed retail price does not exceed Rs.9,000 per 1,000 cigarettes. The

Bill proposes to amend both Sr. No.9 and 10 by enhancing the threshold of on-pack printed retail price of locally produced cigarettes from Rs.9,000 per 1,000 cigarettes to Rs.12,500 per 1,000 cigarettes.

The Bill proposes to insert the following entries in Table I of the First Schedule to the FE Act to levy duty on the goods provided therein.

| Sr. No. | Description of Goods                                                                                                                                                                                           | Heading/ Sub-heading Number | Rate of Duty                               |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|--------------------------------------------|
| 7a      | Acetate tow                                                                                                                                                                                                    | Respective heading          | Rupees forty-four thousand per kg          |
| 8d      | Nicotine pouches                                                                                                                                                                                               | Respective heading          | Rupees one thousand and two hundred per kg |
| 63      | Allotment or transfer of commercial property and first allotment or transfer of residential property in such mode and manner and subject to such conditions and restriction as may be prescribed by the Board. | Respective headings         | 5%                                         |
| 64      | Sugar supplied by any person to a manufacturer                                                                                                                                                                 | Respective headings         | Rupees fifteen per kg                      |

The duty proposed under Sr. No.63 may not be in line with the provisions of section 3(1), providing scope for levy of duty read with section 3(5), on person liable to pay duty, which may give rise to litigation. Further, similar risk of litigation may also be there with respect to proposed levy of duty on supply of sugar by trader under Sr. No.64.

#### 4.25. Amendments in the Third Schedule

The Bill proposes to insert a new serial no.23 to grant exemption on imports made by diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts, Orders, Rules, Regulations and Agreements passed by the Parliament or issued or agreed by the Government of Pakistan falling under heading/ sub heading numbers 99.01, 99.02 and 99.05.

## Customs

#### 4.26. Resolution of controversies through Appellate Tribunal, Alternate Dispute Resolution and High Court

The Bill proposes to completely substitute the existing provisions governing the constitution and procedures of the Appellate Tribunal, the Alternate Dispute Resolution Committee ('ADRC'), and the reference to the High Court. The proposed amendments are consistent with those made in May 2024 to the Income Tax, Sales Tax, and Federal Excise Laws through the Tax Laws (Amendment) Act, 2024 (TLAA, 2024).

### **Appellate Tribunal**

The principal changes relating to Appellate Tribunal include:

- ***Appointment of the Appellate Tribunal***

The proposed provisions stipulate that the composition and appointment of the Appellate Tribunal, as well as rules, regulations, procedures, operations, member appointments, bench formations, case management systems, case distribution, and other related matters, will be governed by rules prescribed by the Federal Government.

- ***Appeals to Appellate Tribunal***

The proposed provisions detail the appeal process for customs matters, requiring appeals to be filed within thirty days of the decision, along with a fee of Rs.20,000 for companies or Rs.5,000 for others. The Appellate Tribunal may accept late appeals with sufficient cause and can stay the recovery of duties and taxes for up to 90 days upon application, despite an ongoing appeal.

- ***Decision from Appellate Tribunal***

The proposed amendment mandates that the Appellate Tribunal must resolve appeals within 90 days of their filing. Should a decision not be made in this period, the Tribunal, with the agreement of both parties and documented justification, may extend the deadline by an additional 60 days. At the initial hearing, the Tribunal will present the appellant with the alternative dispute resolution (ADR) option. If the appellant declines ADR and prefers to continue with the appeal, the Tribunal, in agreement with both parties, will set the hearing and decision dates according to the rules. Furthermore, the Tribunal is obliged to decide on appeals as scheduled, and adjournments are only permissible for compelling reasons, which must be written down, and require a payment of at least Rs.50,000. Additionally, the Tribunal's order will be held in abeyance for 30 days, during which the Collector or the other party involved in the appeal may refer the case to the High Court.

### **Alternate Dispute Resolution**

The key changes relating to Alternate Dispute Resolution (ADR) include:

- The application to opt for ADR must be accompanied by an initial proposal for dispute resolution from the applicant, which should include an offer of payment for duties and taxes.
- The time frame for the Board to form an ADRC upon receiving an application has been reduced from 30 to 15 days.
- Additionally, a retired officer of the Customs Service of Pakistan at BS-21 has been added to the Committee's composition.
- The Committee is now required to resolve the dispute by a majority within 40 days, a reduction from the previous 90-day timeline, with the possibility of a 15 days extension.
- If satisfied, the aggrieved party must withdraw any pending appeals and notify the Collector within 30 days. Following the withdrawal, the Collector is also obligated to withdraw any pending appeals within 30 days of the communication from the aggrieved party.

### **Reference to High Court**

The key changes relevant to reference to High Court are as follows:

- The time frame for referring a case to the High Court has been shortened to 30 days from the Appellate Tribunal's order, down from 90 days. The reference to the High Court must include a question of law or a mixed question of law and fact arising from the order.
- The fee for filing a reference, other than by the Customs department, shall be accompanied by a fee of Rs.50,000, an increase from the previous Rs.100.
- The amendment requires the High Court to implement a case management system to ensure that a reference filed under this section is resolved within the prescribed 6 months.
- Despite a reference to the High Court, duties are to be paid in accordance with the Appellate Tribunal's order. The Collector's recovery is suspended for 15 days following the communication of the Tribunal's order.
- If the High Court's judgment reduces the duties and taxes, resulting in a refund, the High Court may, upon application by an authorized Custom's officer within 30 days of the judgment, allow the officer to delay the refund pending a potential appeal to the Supreme Court.

#### **4.27. Power to determine the customs value**

The Bill introduces the concept of a "Publication Valuation Ruling (PVR)" alongside the existing "Valuation Ruling (VR)." The amendment specifies that no provisional determination of value shall be allowed in cases where either a Valuation Ruling (VR) or a Publication Valuation Ruling (PVR) is in effect, regardless of whether any review or revision against such rulings is pending. This change aims to clarify and expand the scope of rulings that preclude provisional determination of value.

#### **4.28. Punishment for offences**

The Bill proposes to introduce new offenses and impose penalties, as well as to replace certain existing penalties, as detailed below.

##### **New Offences and Penalties**

- ***Radioactive and Nuclear Material:***

New offenses are proposed, concerning the smuggling of nuclear and radioactive material while defining the terms consistent with those in Pakistan Nuclear Regulatory Authority Ordinance, 2001.

These offenses are categorized based on the type and quantity of nuclear material involved. It is noted that if any offense involves a breach of national security, it will be addressed under the National Command Authority Act, 2010.

Additionally, a proposed amendment to section 6 allows the Board to delegate customs functions to officers of the 'National Command Authority' and the 'Pakistan Nuclear Regulatory Authority'.

The categories of the offences and proposed penalties are as follows:

| Offence (Nuclear Material)                                                                                                                                                                                                                                  | Proposed Penalties                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                             | Such goods shall be liable to confiscation and any person concerned in the offence shall be liable to - |
| Possession of a small quantity of various types of unirradiated nuclear materials, such as Plutonium (except isotopic composition exceeding 80% of Plutonium-238), Uranium enriched to various levels of U-235, or U-233, each below a specified threshold. | Imprisonment for up to 7 years, or a fine of up to Rs.1m, or both                                       |
| Possession of a moderate quantity of the same types of nuclear materials, with each type exceeding the small quantity thresholds but not surpassing higher specified amounts.                                                                               | Imprisonment for up to 10 years and a fine of up to Rs.5m.                                              |
| Possession of a substantial quantity of the same types of nuclear materials, with each type exceeding the moderate quantity thresholds but not surpassing even higher specified amounts.                                                                    | Life imprisonment or imprisonment for up to 14 years, and a fine of up to Rs.10m.                       |
| Possession of a large quantity of the same types of nuclear materials, with each type exceeding the substantial quantity thresholds.                                                                                                                        | Life imprisonment or imprisonment for a term not less than 14 years, and a fine of up to Rs.5m.         |

| Offence (Radioactive Material)                                                                                                                                                    | Proposed Penalties                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                   | Such goods shall be liable to confiscation and any person concerned in the offence shall be liable to - |
| If the Activity to Dangerous Value (A/D ratio) does not exceed one (1)                                                                                                            | Imprisonment for up to 2 years, or a fine, or both.                                                     |
| If the A/D ratio is more than one (1) but does not exceed ten (10)                                                                                                                | Imprisonment for up to 7 years or a fine, or both.                                                      |
| If the A/D ratio is more than ten (10) but does not exceed one thousand (1000)                                                                                                    | Imprisonment for up to 14 years and a fine of up to Rs.5m                                               |
| If the A/D ratio exceeds the limit specified in the previous clause (c), which is one thousand (1000), the case will be dealt with under the National Command Authority Act, 2010 | life imprisonment or imprisonment for a term not less than 14 years, and a fine of up to Rs.5m          |

- *Smuggled Goods*

| Offence                                                                                    | Proposed Penalties                                                                                                                                       |
|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Confiscated smuggled goods under custody are illegally removed, exchanged, or disposed of: | The responsible person faces a penalty up to 10 times the goods' value and, upon conviction, up to 6 years' imprisonment or a fine up to Rs.1m, or both. |

- *Removal of Seized Goods*

| Offence                                                                         | Proposed Penalties                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Seized goods, not covered by clause 89, are unlawfully managed while in custody | The goods will be subject to confiscation. The individual involved will face a penalty of up to twice the value of the goods. Upon conviction, the individual may also face imprisonment for up to 6 months, a fine of up to Rs.50,000, or both. |

Substituted Penalties

- *Smuggling of Goods*

| Offence                                                                                                   | Existing Penalty                                                                                                                                                                       | Proposed Penalty                                                                                                        |
|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Persons involved in smuggling of goods, evasion of duty, taxes and breach of prohibitions or restrictions | The goods will be subject to confiscation. The individual involved will face a penalty of up to twice the value of the goods. The penalty value shall not be less than value of goods. | The goods will be subject to confiscation. The individual involved will face a penalty of twice the value of the goods. |

- *Negligence of Police Officer*

| Offence                                                                                         | Existing Penalty                                                              | Proposed Penalty                                                              |
|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| A police officer who neglects to send a written notice or to transport goods to a custom-house. | Upon conviction before a Special Judge, be liable to penalty up to Rs.20,000. | Upon conviction before a Special Judge, be liable to penalty up to Rs.50,000. |

- ***Obstructing a Custom Officer***

| Offence                                                                 | Existing Penalty                                                                                                | Proposed Penalty                                                                                                       |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| A person who obstructs the custom officer or the work of custom officer | Upon conviction before a Special Judge, be liable to penalty up to Rs.25,000 and imprisonment of up to 2 years. | Upon conviction before a Special Judge, be liable to penalty of at least Rs.100,000 and imprisonment of up to 2 years. |

- ***Possession of Prohibited Goods***

| Offence                                           | Old Penalty                                                                                                                                                                               | Proposed Penalty                                                                                                                 |
|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| A person who is in possession of prohibited goods | The goods will be subject to confiscation. The individual involved will face a penalty of up to 10 times the value of the goods. The penalty value shall not be less than value of goods. | The goods will be subject to confiscation. The individual involved will face a penalty of up to 10 times the value of the goods. |

#### **4.29. Delegation of powers**

The Bill proposes to expand the Board's ability to delegate its functions and powers. Key changes include allowing the Board to delegate authority directly to the Chairman and extending the delegation hierarchy to enable specified officers to exercise the powers of their superiors, such as Members or Director Generals acting on behalf of the Board or Chairman, and Collectors of Customs assuming the powers of Chief Collectors of Customs.

#### **4.30. Intelligence Bureau to assist the officers of customs**

The Bill seeks to include the Intelligence Bureau in the list of entities whose officers are empowered to assist customs officers.

#### **4.31. Detention, seizure and confiscation of prohibited goods**

The Bill proposes to grant the Additional Collector of Customs or Additional Director the authority to extend the time period for the detention, seizure, and confiscation of prohibited goods. Previously, this power was vested in the Chief Collector or Director General, respectively.

#### **4.32. Formulation of new directorates**

The Bill proposes to formulate two new directorates namely Directorate General of National Targeting Centre and Directorate General of Trade-Based Money Laundering.

Each directorate will be led by a Director General and will include Directors, Additional Directors, Deputy Directors, Assistant Directors, and other officers as appointed by the Board.

#### 4.33. Amendments in First Schedule

- Customs duty on following goods is proposed to be changed as per rates given below;

| PCT Code  | Description           | Existing rates | Proposed rates |
|-----------|-----------------------|----------------|----------------|
| 2710.1931 | High speed diesel oil | 11%            | 0%             |
| 2711.1100 | Natural gas           | 11%            | 0%             |
| 7311.0040 | For Aerosol products  | 11%            | 16%            |

- For the following goods, specific PCT codes are proposed to be created to charge the customs duty;

| PCT Code  | Description                                                             |                | Rates |
|-----------|-------------------------------------------------------------------------|----------------|-------|
| 1102.9010 | Rice Flour                                                              |                | 11%   |
| 1102.9090 | Other                                                                   |                | 11%   |
| 3907.2910 | Polyol blended with HCFC-141b or HCFC-142b                              |                | 0%    |
| 3907.2990 | Other                                                                   |                | 0%    |
| 8481.3010 | Check (non-return) valves                                               | For tyre tubes | 16%   |
| 8481.3090 |                                                                         | Others         | 16%   |
| 8544.6020 | Photovoltaic power cable having single conductor of kind used for solar |                | 20%   |
| 9004.9010 | Night Vision Goggles                                                    |                | 11%*  |
| 9004.9090 | Other                                                                   |                | 11%*  |
| 9018.3981 | Evacuated tubes for the collection and transport of blood               | --- Of glass   | 20%** |
| 9018.3982 |                                                                         | --- Of PET     | 20%** |
| 9018.3989 |                                                                         | --- Other      | 20%** |

\* Rate is proposed to increase from 3% to 11%

\*\* Rate is proposed to increase from 0% to 20%

- The description of following PCT Codes is proposed to be amended and updated in the following manner:

| PCT Code  | Description                                                                                                                                                |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8413.9130 | Inclusion of PCT Code "8413.7019" for exemption of customs duty on parts of submersible pumps.                                                             |
| 9908      | The modification shifts recommendation authority from the Federal Government to the Minister Incharge, to ensure donations and gifts are granted exemption |

| PCT Code | Description                                                                                                                                                                                                                                                                                                                                                                                  |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|          | without the need to seek approval from Cabinet while introducing a verification process by the concerned Ministry, and requires an undertaking to ensure the donated goods are used solely for the intended purpose.                                                                                                                                                                         |
| 9917     | To streamline exemptions and extend the scope of import of ship bunker oil to operating companies of concession holders and their contractors and subcontractors.                                                                                                                                                                                                                            |
| 9919     | The delegation of power to the Chief Collector to extend the timeline for an additional six months for the re-export of goods to avoid operational delays and facilitate ease of doing business.<br><br>Further, inclusion of " <i>Carpets for the purpose of repairing by the Sales Tax registered manufacturers having in-house facility</i> " which will be subject to Customs Duty @ 0%. |
| 9921     | Insertion of " <i>Duty paid container used for transportation of export cargo (PCT No.86.09) by the exporters, on its reimportation</i> ". This will permit the use of duty-paid containers for the transportation of export cargo by exporters without the payment of duty and taxes.                                                                                                       |

- It is proposed to withdraw the customs duty on the temporary import of asafoetida, cumin, and other medicinal herbs from Afghanistan for subsequent exportation.

#### 4.34. Amendments in Fifth Schedule

- Customs duty on following goods is proposed to be changed as per rates given below;

| PCT Code           | Description                                                                                                                                       | Existing rates   | Proposed rates |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|
| 8534.0000          | Bare Metal Clad Printed Circuit Board (MCPCB)                                                                                                     | 0%               | 11%            |
| 3004.3900          | Bovine Lipid Extract Surfactant                                                                                                                   | 11%              | 0%             |
| Respective Heading | Livestock<br>[If imported for research purpose by registered units under the ST Act certified by Ministry of National Food Security and Research] | Respective rates | 0%             |
| 0306.3600          | Other shrimps and prawns<br>[Breeding and production in commercial farms and hatcheries]                                                          | 11%              | 0%             |

- Exemption of Customs duty on following goods is proposed to be withdrawn and tax as per rates given in First Schedule;

| PCT Code               | Description                                                |                                                                                           | Existing rates | Proposed rates |
|------------------------|------------------------------------------------------------|-------------------------------------------------------------------------------------------|----------------|----------------|
| 08.00                  | Fresh and Dry Fruits except apples from Afghanistan        |                                                                                           | 10%            | Multiple rates |
| 10.01                  | Wheat                                                      |                                                                                           | 0%             | 11%            |
| 1701.1390<br>1701.1400 | Cane Sugar                                                 |                                                                                           | 0%             | 20%            |
| 1701.1200              | Beet Sugar                                                 |                                                                                           | 0%             | 20%            |
| 1701.9910              | White crystalline cane sugar                               |                                                                                           | 0%             | 20%            |
| 1701.9920              | White crystalline beet sugar                               |                                                                                           | 0%             | 20%            |
| 8534.0000              | Printed circuits                                           |                                                                                           | 0%             | 20%            |
| 8529.9090              | Manufacturer of Home Appliances                            | Glass board for manufacturing TV panels (LCD, LED, OLED, HDI etc.)                        | 0%             | 10%            |
| 8534.0000              |                                                            | Printed circuits                                                                          | 0%             | 20%            |
| 8703.8090              | Electric Vehicles of value exceeding US\$ 50,000           |                                                                                           | 25%            | 50%            |
| 0301.9200              | Breeding and production in commercial farms and hatcheries | Eels ( <i>Anguilla</i> spp.)                                                              | 0%             | 11%            |
| 0301.9400              |                                                            | Atlantic and Pacific bluefin tunas ( <i>Thunnus thynnus</i> , <i>Thunnus orientalis</i> ) | 0%             | 11%            |
| 0301.9500              |                                                            | Southern bluefin tunas ( <i>Thunnus maccoyii</i> )                                        | 0%             | 11%            |

- The Bill seeks to reduce the duty to 0% on following goods, if imported by the local assembler/ manufacturer registered under the ST Act and subject to annual quota determination by IOCO;

| Industry                                        | Items                                                                                                                                                                                                                                                  |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Raw materials for the manufacture of PV Modules | Silicon Adhesive/ Sealant, MC4 Connectors, Back sheet film, packing boxes/ modules, Corner block, polythene compound, Tin ingot, Plates, sheets and strip of cellular rubber (vulcanized) and Glass fibers (including glass wool) and articles thereof |

| Industry                   | Items                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Parts of Solar Inverters   | Control board, Power board, Charge controller board A/C, Charge controller board PV, DCDC board, LCD Display, Display board, AC input & Output terminal, Battery input terminals, PV terminals, Casings (Plastic or Steel), Circuit Board (CB) for inverters, Stuffed PCBs for inverters.                                                                                |
| Parts of Lithium Batteries | Cells, Copper Bar (Cell to Cell Connection), BMS (level 1) Electronic Card, Casing, Harness Set (Cells Monitoring Wires with tags), Output Terminal with screws, Power Cables (Battery Internal), DC Fan, DC Breaker, Packing Screws, Terminal Covers, Acrelic Sheet (Short Circuit Safety Sheet), Other Accessories (Temp Sensors, connectors, assembly items, Handles) |

- The Bill seeks to reduce the duty to 0% on following goods (machinery and equipment), if imported by the local manufacturing units subject to the fulfillment of conditions mentioned below;
- EDB shall certify in the prescribed manner that the imported goods are bona fide project requirement. The authorized officer of the EDB 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.
- The goods shall not be sold or otherwise disposed of without prior approval of the FBR and payment of customs duties and taxes leviable as prescribed by FBR.
- Condition (iv) of the Part 1 of the Fifth Schedule.

| Industry                                                      | Items                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Solar Cell Manufacturing Equipment                            | Crystal (Grower) Puller (if machine), Diffusion furnace, Oven, Wafering machine, Cutting and shaping for silicon ingot, Solar grade polysilicon material, Phosphene Gas and Aluminum and silver paste.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Solar PV Modules Panels manufacturing machinery and equipment | Sun Simulator, Glass Lifter, Tabber Stringer, hi-Speed Layup Station with ROBOT, Motorized Visual Inspection, Buffer before Bussing, Multi-station for Bussing, Centering Conveyor with Visual Inspection, Fully Automatic or Semi-automatic Laminator with Centering, Loading & Unloading, Automatic Inline Framing Machine, Automatic Silicon Dispenser, Direction Changer with 90 Degree Rotator, Centering Conveyor for Sun Simulator, Hi-Pot Test Equipment, Electroluminescence (EL) Tester, Motorized Conveyor, EVA/Black sheet Cutting Machine, Ribbon Cutting & Bending Machine, Lab Test Equipment, Conveyer Belt, Laser cutting machine for cell, Cell sorting machine & testers, Structures & parts of structures, Vacuum pumps, Air or gas compressors, hoods, Non-domestic, non-electric dryers, Threading or tapping machines for removing metal, Machines and mechanical appliances having individual functions., Electric brazing or soldering machines and apparatus, Electric heating resistors, and Electric app for switching/protect electric circuits, not exceeding 1,000 volts, |

| Industry                                                     | Items                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Solar Inverters manufacturing machinery and equipment.       | Solder Paste Screen Machine, SMT pick and place Machine, Wave-soldering Machine, PCB Conveyor Belt, SMT Workstation, Solder Pot, Solder Cleaning Equipment, Wire Cutting & Stripping Machine, and Crimping Machine.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Lithium-ion batteries manufacturing machinery and equipment. | Weighting kettles, Weighting and conveying systems, Storage tanks, Glue port, Transfer tanks, Feeder, High speed spiral mixer, Booster pumps, Magnetic filters, High speed homogenizer, Auxiliary equipment and DCS central control system components, Pole piece cathode machine, Polo piece rolling machine, CNC nibbling machine, CNC bending machine, Sport welding plant, Auxiliary equipment, High temperature circulation thermal tester, UL 2054 fire testing equipment, Pack rotation simulation, Free fall tester, Battery impact tester IEC 62133, UL 1642 flame tester, Electromagnetic vibration tester UN 38.3, Single wing Electromagnetic power drop testing equipment, and Hydraulic crush testing equipment |

- The Bill seeks to expand the scope of exemption of customs duties on import of fish or shrimp farming, seafood farming and sea food processing machinery and equipment as set out below:

| PCT Code           | Description                                                                                                                                                                                          | Rate of tax | Conditions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Respective heading | Machinery, equipment, capital goods, and materials for setting up, modernization, replacement or expansion for hatcheries, farms, feed mills and seafood processing units of fish and shrimp sector. | 0%, 3%, 5%  | <ol style="list-style-type: none"> <li>Imports by fish/ shrimp hatcheries, farms, feed mills and seafood processing units, registered under the ST Act and Fisheries Development Board or concerned Ministry; and</li> <li>Ministry of National Food Security and Research shall certify in the prescribed manner and format as per Annex-B to the effect that the imported goods are bona fide requirement. The Authorized Officer of the Ministry shall furnish all relevant information online to Pakistan Customs Computerized System against a specific user ID and password obtained under Section 155D of the Customs Act.</li> </ol> |

- The Bill seeks to streamline the conditions under the chapter related to "Imports of Aviation Related Goods i.e. Aircrafts and Parts etc. by Airline Companies/ Industry under National Aviation Policy 2015" as follows:
- The exemption shall be admissible to the Airline Companies having valid registration and license from the Aviation Division, Government of Pakistan duly shared with the Customs Computerized System or

Pakistan Single Window to the effect that the intending importer is operating in the country or intends to operate in the country in the airline sector.

- The Chief Executive, or the person next in hierarchy duly authorized by the Chief Executive or Head of the importing Company shall certify that the imported goods/items are the company's bonafide requirement and shall be used for the purpose as defined/notified by the Aviation Division, Government of Pakistan under the Aviation Policy. The importer shall declare all relevant information to the Customs while claiming exemption regarding genuineness of the claim through Customs computerized system or Pakistan single window.
- In case of deviation from the above stipulations, the Collector of Customs shall initiate proceedings for recovery of duty and taxes under the relevant laws.

#### 4.35. Changes in Additional Customs Duty (ACD) and Regulatory Duty (RD)

The following measures have been outlined in the key features of the Budget 2023-24 concerning ACD and RD:

- Exemption of ACD on raw materials for fluids and powders used in Hemodialyzers.
- The imposition of ACD on localized auto parts to encourage the local manufacturing sector.
- The imposition or increase of RD on flat-rolled products of iron and non-alloy steel, among other items, to encourage local manufacturing.
- The rationalization of RD on the import of new and used vehicles.
- The withdrawal of the exemption of RD on the import of ground nuts and margarine by the Food Confectionery, silver cans, and lollipop sticks.

### Petroleum Levy

#### 4.36. Amendments in the Petroleum Products (Petroleum Levy) Ordinance, 1961

- The Bill seeks to fix the existing rates as minimum and has proposed to revise maximum rates as follows:

| Petroleum Product                                           | Unit       | Minimum Levy Rate (Rs./unit) | Maximum Levy Rate (Rs./unit) |
|-------------------------------------------------------------|------------|------------------------------|------------------------------|
| High speed diesel oil                                       | Litre      | 60                           | 80                           |
| Motor gasoline                                              | Litre      | 60                           | 80                           |
| Superior kerosene oil                                       | Litre      | 50                           | 50                           |
| Light diesel oil                                            | Litre      | 50                           | 75                           |
| High octane blending component                              | Litre      | 50                           | 75                           |
| E-10 gasoline                                               | Litre      | 50                           | 75                           |
| Liquified petroleum gas<br>(produced/extracted in Pakistan) | Metric ton | 30,000                       | 30,000                       |

## 5. List of Abbreviations

|        |                                                          |
|--------|----------------------------------------------------------|
| ADR    | Alternative Dispute Resolution                           |
| AoP    | Association of Persons                                   |
| ATIR   | Appellate Tribunal Inland Revenue                        |
| ATL    | Active Taxpayers' List                                   |
| BEPS   | Base Erosion and Profit Sharing                          |
| CbC    | Country by Country                                       |
| CD     | Customs Duty                                             |
| CFC    | Controlled Foreign Company                               |
| CIR    | Commissioner Inland Revenue                              |
| CIR(A) | Commissioner Inland Revenue (Appeals)                    |
| CNIC   | Computerized National Identity Card                      |
| CPEC   | China-Pakistan Economic Corridor                         |
| CRS    | Common Reporting Standards                               |
| DTA    | Double Tax Agreements                                    |
| EDB    | Engineering Development Board                            |
| EPCC   | Engineering, Procurement, Construction and Commissioning |
| FBR    | Federal Board of Revenue                                 |
| FCVA   | Foreign Currency Value Account                           |
| FED    | Federal Excise Duty                                      |
| FTR    | Final Tax Regime                                         |
| GD     | Goods Declaration                                        |
| ICT    | Islamabad Capital Territory                              |
| IOCO   | Input Output Coefficient Organization                    |
| KIBOR  | Karachi Inter-Bank Offer Rate                            |
| NBP    | National Bank of Pakistan                                |
| NCCPL  | National Clearing Company of Pakistan Limited            |
| NICOP  | National Identity Card for Overseas Pakistani            |

|                         |                                                                      |
|-------------------------|----------------------------------------------------------------------|
| NPO                     | Non-Profit Organization                                              |
| NRVA                    | Non-resident Pakistan Rupee Value Account                            |
| NTR                     | Normal Tax Regime                                                    |
| OECD                    | Organization for Economic Cooperation and Development                |
| POC                     | Pakistan Origin Card                                                 |
| PoS                     | Point of Sale                                                        |
| PTA                     | Pakistan Telecommunication Authority                                 |
| RD                      | Regulatory Duty                                                      |
| SBP                     | State Bank of Pakistan                                               |
| SCRA                    | Special Convertible Rupee Account                                    |
| SECP                    | Securities and Exchange Commission of Pakistan                       |
| SEZ                     | Special Economic Zone                                                |
| SME                     | Small and Medium Enterprises                                         |
| The Amendment Ordinance | The Income Tax (Amendment) Ordinance, 2022                           |
| The Amnesty Rules       | The Assets Declaration (Procedure and Conditions) Rules, 2019        |
| The Amnesty Act         | The Assets Declaration Act, 2019                                     |
| The Benami Act          | The Benami Transactions (Prohibition) Act, 2017                      |
| The Benami Rules        | The Benami Transactions Rules, 2019                                  |
| The Bill                | The Finance Bill, 2022                                               |
| The Customs Act         | The Customs Act, 1969                                                |
| The FE Act              | The Federal Excise Act, 2005                                         |
| The ICT Ordinance       | The Islamabad Capital Territory (Tax on Services) Ordinance, 2001    |
| The Management Act      | The Public Finance Management Act, 2019                              |
| The Ordinance           | The Income Tax Ordinance, 2001                                       |
| The Punjab WPF Act      | The Companies Profits (Workers' Participation) (Amendment) Act, 2021 |
| The Punjab WWF Act      | The Punjab Workers' Welfare Fund Act, 2019                           |
| The Rules               | The Income Tax Rules, 2002                                           |
| The Sindh WPPF Act      | The Sindh Companies Profits (Workers' Participation) Act, 2015       |

|                       |                                                         |
|-----------------------|---------------------------------------------------------|
| The Sindh WWF Act     | The Sindh Workers' Welfare Fund Act, 2014               |
| The ST Act            | The Sales Tax Act, 1990                                 |
| The ST Rules          | The Sales Tax Rules, 2006                               |
| The Supplementary Act | The Finance (Supplementary) Act, 2022                   |
| The WPPF Act          | The Companies Profit (Workers' Participation) Act, 1968 |
| The WWF Ordinance     | The Workers' Welfare Fund Ordinance, 1971               |
| WPPF                  | Workers' Profit Participation Fund                      |
| WWF                   | Workers' Welfare Fund                                   |

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This communication contains detailed interpretation of the significant amendments proposed through the Finance Bill, 2024 (the Bill). It is intended to provide only a general outline and should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. We do not accept any responsibility for any loss arising from any action taken or not taken by anyone using this communication.

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