

# TAX MEMORANDUM

## 2024 - 25



**HLB CONSULTING (PAKISTAN) (PVT.) LTD.**  
BUSINESS ADVISORS

13/06/2024

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**June 13, 2024**

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The information presented in this Memorandum has been sifted from the Finance Bill, 2024, as presented in the National Assembly. It contains proposed amendments, which will become operative only after adoption by the legislative. Views expressed herein should not be acted upon without first obtaining professional advice, as the interpretation may differ in different circumstances.

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## FROM THE PEN OF CEO

The federal budget 2024-25 with a total outlay of Rs. 18,877 billion has been announced with focus on fiscal consolidation. The gross revenue receipts have been estimated at Rs. 17,815 billion. These include FBR's revenue collection of Rs. 12,970 billion and non-tax revenue Rs. 4,845 billion. The share of provinces in the federal receipts will be Rs. 7,438 billion.

The Government aims to jolt the economy back into life as Real GDP growth contracted by 0.2 percent year on year in Financial Year 2023, after growing by 6.2 percent in Financial Year 2022 and 5.8 percent in Financial Year 2021. Accumulated economic imbalances, including high fiscal deficits and increasing debt, depleted Pakistan's policy buffers resulting in high vulnerability to the catastrophic floods, high world commodity prices, and tight global financing conditions.

The Government continues to face a challenging macroeconomic environment while maintaining progress towards macroeconomic stabilization and critical structural reforms. Hence, the Government's firm resolve to bolster exports, the budget proposes to enhance the export refinance scheme from Rs. 3.8 billion to Rs. 13.8 billion.

Regarding agriculture sector, the budget includes a Rs. 5 billion proposal for the Markup and Risk Sharing Scheme for Farm Mechanization under the Kissan Package, under the scheme, financing will be available to procure planters, tractors, thrashers, harvesters, and mobile grain dryers.

For the IT sector, Rs. 79 billion have been earmarked under which Rs. 7 billion will be for digitalization and reforms in the FBR. This amount will help expand tax base and address loopholes by using state of the art IT system. An IT park will be established in Karachi at a cost of Rs. 8 billion while Rs. 11 billion will be set aside for Technology Park Development Project in Islamabad.

This Tax Memorandum provides an in-depth analysis of the changes proposed to be brought about in tax laws of the country by this budget. We hope our clients and other users will find this document useful. This document is simultaneously being made available at our website [www.hlbPakistan.com](http://www.hlbPakistan.com). Clients are encouraged to access this and other useful material made available by the firm.

We at HLB Consulting (Pakistan) (Pvt.) Ltd. pray for your prosperity and health. The Management of HLB Consulting (Pakistan) (Pvt.) Ltd., Business advisors acknowledge the tireless efforts of its Islamabad office in producing this document.

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## BUDGET 2024-25 AT A GLANCE

| RECEIPTS:                       |                                            | Budget Estimates | Budget Estimates |
|---------------------------------|--------------------------------------------|------------------|------------------|
| S. No.                          | SOURCES OF FUNDS (ESTIMATED)               | (Rs. In billion) | (Rs. In billion) |
| 1.                              | Tax Revenue                                | 12,970           |                  |
| 2.                              | Non-Tax Revenue                            | 4,845            |                  |
|                                 | a) Gross Revenue Receipts                  | 17,815           |                  |
|                                 | b) Less: Provincial Share                  | (7,438)          |                  |
| I.                              | Net Revenue Receipts (a-b)                 |                  | 10,377           |
| II.                             | Non-Bank Borrowing (NSSs & Other)          |                  | 2,662            |
| III.                            | External Receipts (net)                    |                  | 666              |
| IV.                             | Bank Borrowing (T-Bills, PIBs, Sukuk)      |                  | 5,142            |
| V.                              | Privatization Proceeds                     |                  | 30               |
| <b>TOTAL RESOURCES (I To V)</b> |                                            |                  | <b>18,877</b>    |
| EXPENDITURES:                   |                                            | Budget Estimates | Budget Estimates |
| S. No.                          | APPLICATION OF FUNDS (ESTIMATED)           | (Rs. In billion) | (Rs. In billion) |
| I.                              | Interest Payments                          | 9,775            |                  |
| II.                             | Pension                                    | 1,014            |                  |
| III.                            | Defence Services                           | 2,122            |                  |
| IV.                             | Grants and Transfers to Provinces & Others | 1,777            |                  |
| V.                              | Subsidies                                  | 1,363            |                  |
| VI.                             | Running of Civil Government                | 839              |                  |
| VII.                            | Provision for Emergency / Covid            | 313              |                  |
|                                 | <b>(A) Current: (I To VII)</b>             |                  | <b>17,203</b>    |
| I.                              | Federal PSDP                               | 1,400            |                  |
| II.                             | Net Lending                                | 274              |                  |
|                                 | <b>(B) Development: (I to II)</b>          |                  | <b>1,674</b>     |
| <b>TOTAL APPLICATION (A+B)</b>  |                                            |                  | <b>18,877</b>    |

## **SALIENT FEATURES FOR BUDGET 2024-25**

### **INCOME TAX ORDINANCE 2001**

The proposed budgetary measures pertaining to Income Tax Ordinance 2001 for FY 2024-25 are

#### **REVENUE MEASURES:**

1. The tax rates for non-salaried individuals and associations of persons and salaried individuals have been increased.
2. Higher tax rates for late filers have been introduced become filers after the due date of filing of return only for the sake of a specific transaction to avoid higher rates for non-filers. For such late filers a new tax rate is being introduced which is higher rate as compared to filers but lower than the non-filers.
3. Progressive tax rates on purchases and sales of properties, categorized into three categories, namely, one, filers, two, late-filers, and three, non-filers.
  - a. On purchase of property by filers, the rates of tax would be 3% for values of properties up to 50 million, 3.5% for values of properties between 50 million and 100 million, and 4% for value of properties above 100 million. Late-filers would face slightly higher rates: 6%, 7%, and 8% respectively for the same property value brackets. Non-filers would experience significantly higher rates, set at 12% for properties up to 50 million, 16% for 50-100 million, and 20% for properties exceeding 100 million.
  - b. The proposed progressive advance tax rates at source for filers on sale of immovable property are 3% for properties valued up to 50 million. For properties valued between 50 million and 100 million, the withholding tax rate is 4%, and for properties valued above 100 million, the rate is 5%. For non-filers, the rate is 10% for properties of any value. Further, for late filers, the rate of tax will be 6%, 7% and 8% respectively depending on the value of property.
  - c. A flat 15% rate of tax on gains from the disposal of immovable property acquired on or after 01st July, 2024 by filers regardless of the holding period is proposed, and for non-filers, progressive tax rates based on the prescribed slab rates in Division I of Part I of the First Schedule, with a minimum tax rate of 15% is proposed.
4. At present, capital gains on sale of securities is taxed on the basis of holding period with maximum rate at 15% and no tax if the holding period exceeds 06 years. Now, for the securities acquired on or after 01 July, 2024, the capital gain on sale of such securities will be taxed at flat rate of 15% for filers, and for non-filers, the gain will be taxed at normal rates with minimum rate of 15% and maximum rate of 45%. Further capital gains income from mutual funds and collective investment schemes is also enhanced from 10% to 15%.
5. Dividend income from mutual funds is taxed @ 15% at present. However, in order to reduce the arbitrage between individual persons deriving income from profit on debt and persons earning dividend income from mutual funds

deriving income from profit on debt, it is proposed that rate of dividend derived from a mutual fund which earns 50% or more of its income from profit on debt be enhanced from 15% to 25%.

6. At present, persons deriving income from exports have to pay 1% tax on their export proceeds which is final tax. On the principle of horizontal equity that taxpayers with equal income should pay equal tax, it is proposed income from exports be subjected to normal rates with one percent tax collection on their export proceeds be treated as minimum tax.
7. **Strengthening Enforcement for Non-Filers:**  
At present, persons who do not file return even in response to notice and their names are included in the income tax general order have to face blocking of their sims and disconnection of their utility connections. Now it has been proposed to bar exit from Pakistan of such persons with exceptions for Hajj and Umrah travellers, minors, students, overseas Pakistanis and such other classes of persons as notified by the Board. In case the implementing agencies do not block sims or disconnect utility connections or not comply with bar on foreign travel, penalty of Rs.100 million will be imposed upon the implementing agency for first default and Rs.200 million for each subsequent default. Penalties and prosecutions are proposed for entities failing to fully disclose relevant particulars or submitting incomplete information in their tax returns or failure to file return on discontinuation of their business. Further, penalty of sealing of shop is being proposed for traders and shopkeepers who fail to register under a scheme such as Tajir Dost Scheme. Further, failure to register by a shopkeeper or trader is proposed to be made an offence punishable on conviction with imprisonment for six months or with fine, or both.
8. The facility of exemption from withholding tax by issuing an exemption certificate on supply of goods and for certain other transactions is being converted into a reduced rate certificate for ensuring documentation of the value chain.
9. Advance tax rate on profit on debt for non-filers is being enhanced from 30% to 35% to increase cost of non-compliance.
10. At present, advance tax is collected on sale to dealers, distributors, wholesalers and retailers of certain specified sectors. Now it is proposed that such tax will be collected from all sectors of the economy so that it is expanded to the entire supply chain comprising all distributors, wholesalers, dealers and retailers with the aim to document the traders. Further, the rate for non-filers for dealers, distributors, wholesalers is being enhanced from 0.2% to 2% and for retailer non-filers from 1% to 2.5% so that with the purpose of documentation of traders and to discourage non-filing.
11. In order to tap the true potential of income tax at import stage and to check under –declaration by importers, the Board is proposed to be empowered to notify minimum value for calculation of tax at import stage.
12. The prices of motor vehicles have substantially increased, therefore in order to capture true potential of tax it is proposed that basis of tax collection may be changed from engine capacity to percentage of value in cases of all motor vehicles. Moreover, it is also proposed that percentage of tax collection may also be increased in cases of vehicles having engine capacity of more than 2000cc.
13. Federal Government subsidize certain utilities for the consumers and pay to the utility companies and other companies a certain amount of revenue in

lieu of subsidy to the consumers. As the subsidy is income in the hands of such companies, the exemption to receipts from subsidies is proposed to be withdrawn on the principle of horizontal equity. Furthermore, on the principle of horizontal equity, it is proposed that the reduced rate of 1 % on supply of cigarettes by distributors may be enhanced to 2.5%.

14. The expense equal to 25% of the total advertisement expense of the locally incorporated subsidiary is proposed to be shared with the non-resident associate who is also receiving royalty payment from Pakistan
15. At present the default surcharge rate is 12% per annum which is significantly lower than the interbank rate and the low rate is a hindrance in recovery of tax arrears. It is therefore proposed that the default surcharge rate be increased to KIBOR rate plus 3% per annum.

#### **RELIEF MEASURES:**

- a) Five years exemption from tax on income and from withholding taxes with effect from 1st day of July, 2018 was provided to FATA/PATA up to 30th day of June, 2023 which was extended for one year up to 30th day of June, 2024. It is proposed that further exemption from income and withholding taxes may be extended for another one year up to 30th day of June, 2025.
- b) Extension in the period for adjusting unadjusted business losses from six to ten years for Pakistan International Airlines Corporation Limited (PIACL) to support its privatization.

#### **STREAMLINING MEASURES:**

- a) Tax credit under section 65F applies solely to revenue derived from coal mining activities, preventing coalminers from claiming it on their entire income, including interest income.
- b) AOPs with turnovers of Rs. 300 million or more would need to submit audited financial statements to discourage misuse and promote transparency and non-compliance would render members' share income taxable.
- c) The proposal requires persons paying advance tax to substantiate their estimates of income with documentary evidence to avoid rejection of their advance tax estimates.
- d) An explanation is added to the effect that super tax is leviable on banking companies for tax year 2023 and for subsequent years.
- e) The provisions pertaining to income of banks is clarified so that tax treatment for banks remain the same and the deductions allowed from income remain the same as before this bill.
- f) A saving clause is promulgated to ensure that appeals, references, or revisions initiated before the enactment of the Tax Laws Amendment Act, 2024 are adjudicated based on the legal framework existing prior to the said Act.

## **SALES TAX ACT 1990**

The budgetary measures pertaining to Sales Tax for FY 2024-25 are:

### **REVENUE MEASURES:**

1. Withdrawal of various exemptions/zero rating and reduced/fixed rates.
2. Mobile phones to be taxed at standard rate (other than mobile phones valuing exceeding US\$ 500 which will remain chargeable to existing rate of 25%).
3. Enhancement in reduced rate of sales tax from 15% to 18% on supplies made by the POS retailers dealing in leather and textile products.
4. withholding regime for lead, coal, scrap of paper and plastic, silica etc.
5. Iron and steel scrap to be exempted from levy of sales tax.
6. A phased withdrawal of exemption granted to ex-FATA/PATA.
7. Board empowered to fix minimum price of the goods falling under Third Schedule.
8. Streamlining and strengthening the provisions related to tax fraud.
9. Changes in the legal provisions related to assessment and audit.
10. Zero-rating of petroleum products is being converted into exemption.
11. Rate of default surcharge is to be aligned with the SBP's policy rate of KIBOR plus 3%.

## **FEDERAL EXCISE ACT 2005**

The budgetary measures pertaining to Federal Excise Duty (FED) for FY 2024- 25 are:

### **REVENUE MEASURES:**

1. Imposition of FED on acetate tow @ Rs. 44,000 is proposed.
2. Imposition of FED on nicotine pouches @ Rs. 1200 per kg.
3. Enhancement of FED on e-liquids is also proposed.
4. FED @ Rs. 15 per kg on supply of sugar to manufacturers.
5. The rate of FED on cement is being enhanced from Rs. 2 per kg to Rs. 3 per kg.
6. FED on commercial properties and first sale of residential properties @ 5%.
7. Rate of FED on filter rod to be enhanced from Rs.1500 per kg to Rs.80,000 per kg.
8. power to seal business premises of retailers selling illicit cigarettes.
9. Exemption from FED to diplomats and diplomatic mission.
10. Price threshold for local manufactured cigarettes increased from Rs. 9,000 to Rs. 12,000.

## INCOME TAX ORDINANCE 2001

### AMENDMENTS PROPOSED BY THE FINANCE BILL, 2024

Through Finance Bill 2024, following amendments are proposed in the Income Tax Ordinance, 2001 (XLIX of 2001):

|                    |                  |
|--------------------|------------------|
| <b>DEFINITIONS</b> | <b>SECTION 2</b> |
|--------------------|------------------|

#### **(8) "Board"**

The proposed amendment to the definition of "Board" under section 2 of the tax law clarifies that the term "Board" not only refers to the Federal Board of Revenue (FBR) but also extends to include any member of the FBR to whom specific powers have been delegated. This change provides greater operational flexibility and ensures that delegated authorities within the FBR can act with the same legal authority as the Board itself.

|                      |                      |
|----------------------|----------------------|
| <b>CAPITAL GAINS</b> | <b>SECTION 37(6)</b> |
|----------------------|----------------------|

The amendment to Section 37(6) clarifies that the obligation to deduct advance adjustable tax applies when the consideration is paid or payable, ensuring tax deduction even for deferred payments. It specifies that the tax deduction should occur at either the time of payment or the registration of shares with the SECP or SBP, whichever is earlier, to enhance tax compliance and timely collection. By broadening the scope to include payable amounts and clearly defining the timing for compliance, the amendment aims to reduce tax evasion and ensure quicker revenue realization, thus improving the effectiveness of tax collection for share acquisitions.

|                                         |                       |
|-----------------------------------------|-----------------------|
| <b>CARRY FORWARD OF BUSINESS LOSSES</b> | <b>SECTION 57(2B)</b> |
|-----------------------------------------|-----------------------|

The proposed amendment to Section 57 introduces a new sub-section (2C), allowing Pakistan International Airlines Corporation Limited (PIACL) to carry forward its business losses for a period of ten years, against earlier availability of carry forward for six years, if these losses are from tax years commencing on or after January 1, 2017. This amendment extends the loss carry forward period specifically for PIACL, aligning with similar provisions granted to other entities.

|                                       |                    |
|---------------------------------------|--------------------|
| <b>TAX CREDIT FOR CERTAIN PERSONS</b> | <b>SECTION 65F</b> |
|---------------------------------------|--------------------|

The amendment to Section 65F clarifies that the 100% tax credit for persons engaged in coal mining projects in Sindh is specifically available only for income derived from operations supplying coal to power generation projects. This removes any ambiguity regarding the scope of the tax credit, ensuring it applies exclusively to the specified income source.

**PRINCIPLES OF TAXATION OF ASSOCIATIONS OF PERSONS**
**SECTION 92**

A new proviso has been added, stipulating that the tax exemption on a member's share in an AOP, having turnover exceeding three hundred million rupees during the tax year or any preceding tax years, will not apply if the AOP fails to submit audited financial statements along with the income tax return.

**SPECIAL PROVISIONS RELATING TO PERSONS NOT APPEARING IN ACTIVE TAXPAYERS' LIST.**
**SECTION 100BA**

The proposed amendment introduces a new category of persons who are appearing on active taxpayers' list but have not filed return by the due date. Separate advance tax rates for Sale and Purchase of immoveable have been proposed in the tenth schedule for this category. These rates are considerably higher compared to the rates defined for active tax payers but lower compared to in case of persons not appearing in the active taxpayers' list.

**TRANSACTIONS BETWEEN ASSOCIATES**
**SECTION 108**

The proposed amendment to Section 108 introduces a new sub-section (6) that impacts transactions between associates, specifically concerning deductions claimed for royalty payments.

For tax years 2024 and onwards, if a taxpayer claims a deduction for royalty paid to an associate for the use of various intellectual properties or contractual rights, for the tax year or for any of the two preceding tax years, twenty-five percent of the total expenditure on sales promotion, advertisement, and publicity for that tax year will be disallowed and allocated to the said associate.

This amendment aims to prevent potential abuse of royalty deductions by ensuring that a portion of the expenditure related to promoting the products or services associated with the intellectual properties or contractual rights is allocated to the associate.

**POWERS TO ENFORCE FILING OF RETURNS**
**SECTION 114B**

The proposed amendment to Section 114B grants the tax authorities expanded powers to enforce the filing of tax returns for individuals not appearing on the active taxpayers' list. Previously, consequences for non-compliance included disabling mobile phones or SIMs, discontinuing electricity or gas connections.

The amendment introduces a new consequence: restricting foreign travel for Pakistani citizens who fail to file their tax returns. However, it exempts certain groups like holders of the National Identity Card for Overseas Pakistanis (NICOP), minors, students, and other classes as notified by the Board.

**WEALTH STATEMENT**
**SECTION 116(1)**

The proposed amendment to Section 116 clarifies that the scope of wealth statements required from individuals includes foreign assets. This means that individuals were always mandated to disclose their total assets and liabilities, along with foreign assets.

**BEST JUDGMENT ASSESSMENT**
**SECTION 121(1)**

The proposed amendment to Section 121 introduces a new clause (ac), expanding the circumstances under which the Commissioner can resort to best judgment assessment.

This allows for best judgment assessment when a person who has discontinued the business or is likely to discontinue the business fails to furnish a return of income in response to notice issued.

**REVISION BY THE COMMISSIONER**
**SECTION 122A**

The proposed amendment to Section 122A removes the limitation on the Commissioner's authority to revise orders passed by Commissioner (Appeals), for assessments or tax refunds not exceeding twenty million rupees.

Previously, the Commissioner could only call for the records of proceedings where assessments or refunds fell within this monetary threshold.

However, with the amendment, this restriction is eliminated, granting the Commissioner broader powers to review orders across all monetary ranges.

**PECUNIARY JURISDICTION IN APPEALS**
**SECTION 126A**

The amendments to Section 126A clarify the jurisdictional criteria for appeals and adjust the timeline for transferring cases. The new explanation specifies that "value of assessment of tax" refers to the net increase in tax liability and "value of refund" to the net reduction in refund resulting from the contested order.

Additionally, the deadline for transferring cases from the Commissioner (Appeals) to the Appellate Tribunal Inland Revenue is extended from June 16, 2024, to September 16, 2024.

**APPEAL TO THE COMMISSIONER (APPEALS)**
**SECTION 127(1)**

Considering the introduction of pecuniary limits of Rs. 20 million as to assessments for which an appeal can be filed before Commissioner Appeals, made through Tax Law Amendment Act 2024, corresponding changes are also incorporated in this section.

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|-----------------------------------------|
| <b>APPEAL TO THE APPELLATE TRIBUNAL</b> |
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| <b>SECTION 131</b> |
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The amendment to Section 131 aims to rectify a technical anomaly by ensuring that appeals against the orders of the Commissioner (Appeals) are not filed with the Appellate Tribunal, but are instead filed directly with the High Court.

|                                         |
|-----------------------------------------|
| <b>ADVANCE TAX PAID BY THE TAXPAYER</b> |
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| <b>SECTION 147</b> |
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The proposed amendments to Section 147 aim to address the computation of advance tax for associations of persons and companies.

Firstly, the proviso in subsection (4) now requires that if a taxpayer fails to provide their turnover or if the turnover for the quarter is unknown, it shall be assumed to be one-fourth of 120% (previously 110%) of the turnover from the latest tax year for which a return has been filed.

Secondly, a new subsection (6B) has been introduced, mandating that any estimate of the amount of tax payable, filed under subsections (6) or (6A), must include detailed turnover for completed quarters, estimated turnover for remaining quarters, supporting evidence of expenses or deductions, evidence of tax payments and credits, and computation of estimated taxable income.

If the Commissioner finds the provided evidence unsatisfactory or if these details are not included, the Commissioner may reject the estimate after giving the taxpayer an opportunity to be heard, and the taxpayer must then pay advance tax according to the formula in subsection (4).

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|----------------|
| <b>IMPORTS</b> |
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| <b>SECTION 148</b> |
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The proposed amendments to Section 148 introduce significant changes to the process of collecting advance tax on imports. Firstly, the newly added subsection (6A) empowers the Board to determine the minimum value of goods for the purpose of advance tax collection via official notification. This ensures a standardized minimum value for tax purposes, regardless of the actual import value. Secondly, the amendment to subsection (9) redefines the term "value of goods" to include this minimum value for certain goods, thereby aligning the tax calculation with the new provisions in subsection (6A).

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|----------------------------------|
| <b>PAYMENTS TO NON-RESIDENTS</b> |
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|------------------------|
| <b>SECTION 152(4A)</b> |
|------------------------|

The amendment to Section 152(4A) refines the provisions regarding tax deductions on payments to recipients with a permanent establishment in Pakistan. Specifically, it alters the language to require that tax must be deducted, albeit potentially at a reduced rate, instead of allowing for the possibility of making payments without any tax deduction.

It may be noted that the Commissioner can issue a certificate for deduction of tax at 0% as lower or reduced rate under the amended provisions of law, since the law does not provide any basis or any criteria for issuance of lower or reduced rate

certificates. However, it is anticipated that FBR may later provide more clarity in this regard through its circular.

|                                                   |                       |
|---------------------------------------------------|-----------------------|
| <b>PAYMENTS FOR GOODS, SERVICES AND CONTRACTS</b> | <b>SECTION 153(4)</b> |
|---------------------------------------------------|-----------------------|

The amendment to Section 153(4) modifies the provisions concerning the issuance of tax deduction certificates by the Commissioner. It removes the option for payments to be made without tax deduction, focusing instead on allowing deductions at a reduced rate when the tax deductible is not the minimum tax.

The amendment retains the requirement for the Commissioner to issue a reduced rate certificate within fifteen days of the application. If the Commissioner does not issue the certificate within this period, it will be automatically processed and issued by the Iris system. The Commissioner can still modify or cancel the automatically issued certificate, but must provide the taxpayer an opportunity to be heard and record the reasons in writing.

However, the issue of delayed processing of exemption applications by Commissioners remains as it often exceeds the prescribed fifteen day period. In practice, taxpayers have faced the need to repeatedly follow up with the Commissioners to obtain the exemption order as it is not automatically issued by IRIS till now.

It may be noted that the Commissioner can issue a certificate for deduction of tax at 0% as lower or reduced rate under the amended provisions of law, since the law does not provide any basis or any criteria for issuance of lower or reduced rate certificates. However, it is anticipated that FBR may later provide more clarity in this regard through its circular.

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|----------------|--------------------|
| <b>EXPORTS</b> | <b>SECTION 154</b> |
|----------------|--------------------|

Previously, the rate of tax to be deducted on exports was 1% which was final tax. The proposed amendment now stipulates that this 1% tax deduction will be considered as minimum tax.

Furthermore, alongside the 1% tax deduction, an additional 1% advance tax will also be imposed, both of which will be treated as minimum tax.

|                                            |                    |
|--------------------------------------------|--------------------|
| <b>EXEMPTION OR LOWER RATE CERTIFICATE</b> | <b>SECTION 159</b> |
|--------------------------------------------|--------------------|

In line with the proposed amendments in section 152 and 153, amendments are made to this section by removing references to "exemption" in the provisos, emphasizing the issuance of "lower rate" certificates instead.

**CREDIT FOR TAX COLLECTED OR DEDUCTED**
**SECTION 168**

A proposed change to Section 154 (Exports) suggests that the tax collected will now be a minimum tax, instead of a final tax. To align with this revision, a corresponding amendment has been proposed for Section 168(3). Section 168(3) stipulates that no tax credit shall be granted for any tax collected or deducted that is a final tax under Sections 152(1E), 152A(2), 154A(2), 156(3), 156A(2), and 236Z(7). Currently, Section 154(4) is also included in this list, disallowing tax credits as it is considered a final tax. However, it is proposed to remove Section 154(4) from this list, as the tax under Section 154 will now be classified as a minimum tax.

**TAX COLLECTED OR DEDUCTED AS A FINAL TAX**
**SECTION 169**

It is proposed to omit Section 154(4) from the list of provisions mentioned in Section 169(1)(b) where the tax deducted is treated as final. This means that the income subject to tax under Section 154(4) will no longer be excluded from chargeable income, deductible expenses, or tax credits, and refunds may be available if excess tax is collected.

**OFFENCES AND PENALTIES**
**SECTION 182**

It has been proposed to add multiple entries in the table under Section 182(1) of the ITO 2001 which states that any person who commits any offence specified in column (2) of the Table below shall, in addition to and not in derogation of any punishment to which he may be liable under this Ordinance or any other law, be liable to the penalty mentioned against that offence in column (3) thereof. These newly proposed entries are listed below:

| S.No. | Offences                                                                                                                                      | Penalties                                                                                                                                                                                                                                           | Section of the Ordinance to which office has reference. |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| (1)   | (2)                                                                                                                                           | (3)                                                                                                                                                                                                                                                 | (4)                                                     |
| 1B    | Where any person fails to furnish a return of income as required under sub-section (3) of section 117 within the time specified in the notice | Such person shall pay a penalty equal to higher of:<br><br><b>(a)</b> 0.1% of the tax payable in respect of that tax year for each day of default;<br><br>or<br><br><b>(b)</b> Rs. 1,000 per day of default: Provided that minimum penalty shall be | 117(3)                                                  |

|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                    |        |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Rs.10,000 in case of an individual and Rs.50,000 in all other cases.                                                                                                               |        |
| 3A  | Where any person being a trader or a shopkeeper who is required to apply for registration under this Ordinance but fails to register or fails to pay advance tax as specified in a scheme of special procedure prescribed under section 99B                                                                                                                                                                                                                                                                                         | The shop of such person shall be sealed for seven days for first default and for twenty one days for each subsequent default.                                                      | 99B    |
| 10A | Any person who fails to comply with income tax general order issued by the Board within fifteen days of issue of such order.                                                                                                                                                                                                                                                                                                                                                                                                        | Such person shall pay penalty of one hundred million rupees for first default and two hundred million or each subsequent default.                                                  | 114B   |
| 12A | Where any person fails to pay tax at the time of making payment as consideration of shares or at the time of registration of shares by the Securities and Exchange Commission of Pakistan or the State Bank of Pakistan, whichever is earlier.                                                                                                                                                                                                                                                                                      | Such person shall pay a penalty equal to fifty percent of the amount of tax involved.                                                                                              | 37(6)  |
| 35  | Any company and an association of persons who –<br><br>(a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer;<br><br>(b) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or<br><br>(c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed. | Such company, including a banking company and an association of persons shall pay a penalty of Rs.500,000 or 10% of the tax chargeable on the taxable income, whichever is higher. | 114(2) |

|                                                                          |
|--------------------------------------------------------------------------|
| <b>PROSECUTION FOR NON-COMPLIANCE WITH CERTAIN STATUTORY OBLIGATIONS</b> |
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| <b>SECTION 191</b> |
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Section 191 relates to the prosecution for non-compliance of certain statutory obligations which a person has to comply with. Under Section 117(3) of the ITO 2001, the Commissioner of Income Tax has the authority to serve a notice to any person who has discontinued or is likely to discontinue their business, even if no prior notice of discontinuation has been given. The person receiving this notice is required to furnish a return of income for the specified period within the time frame set by the Commissioner.

Now it is proposed that if a person without reasonable excuse, fails to comply with the notice served by the Commissioner under Section 117(3) of the ITO 2001, for discontinuance of business, then the person shall be considered committing an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

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|---------------------------------------------------------------------------|
| <b>PROSECUTION FOR FAILURE TO FURNISH INFORMATION IN RETURN OF INCOME</b> |
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|---------------------|
| <b>SECTION 191A</b> |
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|                                         |
|-----------------------------------------|
| <b>PROSECUTION FOR NON-REGISTRATION</b> |
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|---------------------|
| <b>SECTION 191B</b> |
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It has now been proposed to add new Section 191A in the Income Tax Ordinance 2001 which states that any company including a banking company and an association of persons who:

- fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer;
- furnishes blank or incomplete particulars or information as specified in the return of income; or
- attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed, shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both.

The above addition seeks that the companies and AOPs filing their returns of income must fully state and attached all relevant particulars/information/documents as required by the ITO 2001 read with Income Tax Rules 2002. The previous practice adopted by these taxpayers is strictly discouraged wherein they filed their returns of income without attaching and particulars/information/documents as required by law.

Along with Section 191A, Section 191B has also been proposed to add. Currently Section 99B states that the Board with the approval of the Minister-in-charge may, by notification in the official Gazette, prescribe special procedure for scope and payment of tax, filing of return and assessment in respect of such small traders and shopkeepers. Newly proposed Section 191B states that any person specified in Section 99B (Special procedure for small traders and shopkeepers) who is required

to apply for registration but fails to do so shall commit an offence punishable on conviction with imprisonment for a term not exceeding six months or fine or both.

|                          |                    |
|--------------------------|--------------------|
| <b>DEFAULT SURCHARGE</b> | <b>SECTION 205</b> |
|--------------------------|--------------------|

Currently, the rate of default surcharge in the Income Tax Ordinance 2001 is 12% per annum, which is now proposed to be substituted by KIBOR plus three percent per annum. Karachi Interbank Offered Rate (KIBOR) as on June 12<sup>th</sup>, 2024 is at 20.92% per annum. This increase will drastically increase the revenue of government collected within the terms of default surcharge.

|                                                      |                    |
|------------------------------------------------------|--------------------|
| <b>DISCLOSURE OF INFORMATION BY A PUBLIC SERVANT</b> | <b>SECTION 216</b> |
|------------------------------------------------------|--------------------|

This proposed amendment allows the disclosure of confidential tax particulars to the National Database and Registration Authority (NADRA) for data processing and analysis. This aims to broaden the tax base by utilizing NADRA's capabilities, enhancing tax compliance and collection efforts. Previously NADRA was not included in the list of persons and authorities to whom statements, evidences and records were to be provided for the purposes of broadening of tax base.

|                                                                      |                     |
|----------------------------------------------------------------------|---------------------|
| <b>ADVANCE TAX ON SALES TO DISTRIBUTORS, DEALERS AND WHOLESALERS</b> | <b>SECTION 236G</b> |
|----------------------------------------------------------------------|---------------------|

It is now proposed that every manufacturer or commercial importer at the time of sale to distributors, dealers and wholesalers, shall collect advance tax at the applicable rates from all sectors of the economy. Previously, there were specific sectors for which sales made by manufacturer or commercial importer were charged to tax by them. The sectors which are proposed to be omitted now are 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 sector.

|                                          |                     |
|------------------------------------------|---------------------|
| <b>ADVANCE TAX ON SALES TO RETAILERS</b> | <b>SECTION 236H</b> |
|------------------------------------------|---------------------|

It is proposed that the words 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 sector shall be omitted. After omission of these expressions, it would remove the applicability of advance tax on sales to retailers only on these specified sectors, instead all sectors shall be charged to advance tax by manufacturer, distributor, dealer, wholesaler or commercial importer at the time of sale to retailers, and every distributor or dealer to another wholesaler.

## AMENDMENTS INTRODUCED TO THE FIRST SCHEDULE TO THE INCOME TAX ORDINANCE, 2001.

The following amendments are proposed to the First Schedule of the Income Tax Ordinance, 2001:

### PART I-DIVISION I – CHANGE IN THE TAX SLAB RATES

There has been proposed a change in the slab rates applicable to the income of individuals and AOPs and the same have been slightly increased. The proposed table related to non-salaried class has been given below:

| S. No. | Taxable Income                                                               | Rate of Tax                                                  |
|--------|------------------------------------------------------------------------------|--------------------------------------------------------------|
| 1.     | Where taxable income does not exceed Rs. 600,000                             | 0%                                                           |
| 2.     | Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000   | 15% of the amount exceeding Rs. 600,000                      |
| 3.     | Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,600,000 | Rs. 90,000 plus 20% of the amount exceeding Rs. 1,200,000    |
| 4.     | Where taxable income exceeds Rs. 1,600,000 but does not exceed Rs. 3,200,000 | Rs. 170,000 plus 30% of the amount exceeding Rs. 1,600,000   |
| 5.     | Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 5,600,000 | Rs. 650,000 plus 40% of the amount exceeding Rs. 3,200,000   |
| 6.     | Where taxable income exceeds Rs. 5,600,000                                   | Rs. 1,610,000 plus 45% of the amount exceeding Rs. 5,600,000 |

Whereas, the proposed table related to salaried class has been given below:

| S. No. | Taxable Income                                                               | Rate of Tax                                                |
|--------|------------------------------------------------------------------------------|------------------------------------------------------------|
| 1.     | Where taxable income does not exceed Rs. 600,000                             | 0%                                                         |
| 2.     | Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000   | 5% of the amount exceeding Rs. 600,000                     |
| 3.     | Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000 | Rs. 30,000 plus 15% of the amount exceeding Rs. 1,200,000  |
| 4.     | Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000 | Rs. 180,000 plus 25% of the amount exceeding Rs. 2,200,000 |

|    |                                                                              |                                                            |
|----|------------------------------------------------------------------------------|------------------------------------------------------------|
| 5. | Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000 | Rs. 430,000 plus 30% of the amount exceeding Rs. 3,200,000 |
| 6. | Where taxable income exceeds Rs. 4,100,000                                   | Rs. 700,000 plus 35% of the amount Exceeding Rs. 4,100,000 |

#### **PART I-DIVISION III – CHANGE IN THE RATE OF TAX ON DIVIDEND**

Previously the rate of tax was 15% in case of mutual funds, real estate investment trusts and cases other than those mentioned in clauses (a), (c) and (d) of this division. Now it is proposed that the existing rate of 15% shall be increased to 25% in case of dividends received from mutual funds deriving fifty percent or more income from profit on debt.

#### **PART I – DIVISION VII – CHANGE IN CAPITAL GAIN TAX**

There has been proposed to substitute a table which specifies the rates of capital gain tax applicable to gain on securities under section 37A. The said table is given below:

| S.No. | Holding Period                                                              | Rate of Tax on disposal of securities acquired between 1 <sup>st</sup> day of July, 2022 and 30 <sup>th</sup> June 2024 (both dates inclusive) | Rate of tax on disposal of securities acquired on or after 1 <sup>st</sup> day of July, 2024                                                                                                                                                                                                                                                                                                                                                                              |
|-------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.    | Where the holding period does not exceed one year                           | 15%                                                                                                                                            | 15% for persons <b>appearing on the Active Taxpayers' List</b> on the date of acquisition and the date of disposal of securities and;<br><br>at the rate specified in Division I for individuals and association of persons and Division II for companies in respect of persons <b>not appearing on the Active Taxpayers' List</b> on the date of acquisition and date of disposal of securities:<br><br>Provided that the rate of tax for individuals and association of |
| 2.    | Where the holding period exceeds one year but does not exceed two years     | 12.5%                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 3.    | Where the holding period exceeds two years but does not exceed three years  | 10%                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 4.    | Where the holding period exceeds three years but does not exceed four years | 7.5%                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 5.    | Where the holding period exceeds four years but does not exceed five years  | 5%                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 6.    | Where the holding period exceeds five years but does not exceed six years   | 2.5%                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 7.    | Where the holding period exceeds six years                                  | 0%                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

|    |                                                                                    |    |                                                                                                                      |
|----|------------------------------------------------------------------------------------|----|----------------------------------------------------------------------------------------------------------------------|
|    |                                                                                    |    | persons <b>not appearing on the Active Taxpayers' List</b> , the rate of tax shall not be less than 15% in any case. |
| 8. | Future Commodity contracts entered into by members of Pakistan Mercantile Exchange | 5% | 5%                                                                                                                   |

It is proposed that deduction of capital gain tax on redemption by mutual fund or a collective investment scheme or a REIT scheme shall be increased from 10% to 15% in case of Individual and association of persons and from 10% to 15% for stock funds held by company. Further it is proposed that for stock funds the rate of deduction of 12.5% will be increased to 20% in case if dividend receipts of the funds are less than capital gains.

## PART I – DIVISION VIII – CAPITAL GAIN ON DISPOSAL OF IMMOVABLE PROPERTY

There has been proposed to substitute a table which specifies the rates of capital gain tax applicable to gain on immovable property under section 37(1A). The said table is given below:

| S. No. | Holding Period                                                              | Rate of Tax on properties acquired on or before 30 <sup>th</sup> day of June, 2024 |                      |       | Rate of Tax on Properties acquired on or after 1st day of July, 2024                                                                                        |
|--------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
|        |                                                                             | Open Plots                                                                         | Constructed Property | Flats |                                                                                                                                                             |
| 1.     | Where the holding Period does not exceed one year                           | 15%                                                                                | 15%                  | 15%   | 15% for persons <b>appearing on the Active Taxpayers' List</b> on date of disposal of property and;                                                         |
| 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%    | at the rates specified in Division I for individuals and association of persons and Division II for companies in respect of persons <b>not appearing on</b> |
| 4.     | Where the holding period Exceeds three years but does not exceed four years | 7.5%                                                                               | 5%                   | 0%    |                                                                                                                                                             |
| 5.     | Where the holding period exceeds four years but                             | 5%                                                                                 | 0%                   | 0%    |                                                                                                                                                             |

|    |                                                                           |      |    |    |                                                                                                                                                                                                                                                                                             |
|----|---------------------------------------------------------------------------|------|----|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | does not exceed five years                                                |      |    |    | <b>the Active Taxpayers' List</b> on the date of disposal of property:<br><br>Provided that the rate of tax for <b>individuals and association of persons not appearing on the Active Taxpayers' List</b> on the date of disposal, the rate of tax shall not be less than 15% of the gain." |
| 6. | Where the holding period exceeds five years but does not exceed six years | 2.5% | 0% | 0% |                                                                                                                                                                                                                                                                                             |
| 7. | Where the holding period Exceeds six years                                | 0%   | 0% | 0% |                                                                                                                                                                                                                                                                                             |

### PART III – DIVISION I - ADVANCE TAX ON DIVIDEND

Currently the rate of withholding tax on dividend is 15% in case dividend received from mutual funds, Real estate investment trust and cases other than those mentioned in clause (a), (c) and (d). Now it is proposed that the rate of tax on dividend received from mutual funds deriving fifty percent or more income from profit on debt shall be 25%.

### PART III – DIVISION III – INCREASE IN RATE OF WITHHOLDING TAX WHILE MAKING PAYMENT TO A RESIDENT PERSON

It has been proposed that withholding tax rates for toll manufacturing be revised:

| Description                                           | Rate of WH tax (Existing) | Rate of WH tax (Proposed) |
|-------------------------------------------------------|---------------------------|---------------------------|
| For sale of goods – 153(1)(a)                         |                           |                           |
| Company                                               | 5%                        | 5%                        |
| Other than company                                    | 5.5%                      | 5.5%                      |
| On gross amount payable for <b>toll manufacturing</b> |                           |                           |
| Company                                               | 5%                        | 9%                        |
| Other than company                                    | 5.5%                      | 11%                       |

### PART III- DIVISION IV – EXPORTS

It has been proposed that new paragraph shall be inserted as (2A) which states that additional tax of 1% of export proceeds shall be collected as advance tax.

#### PART IV- DIVISION V – TELEPHONE USERS

It has been proposed that in case of persons mentioned in income tax general order issued under section 114B, the rate of tax shall be increased from 15% to 75% of the amount of bill or sale price of internet pre-paid card or prepaid telephone card or sale of units to any electronic medium or whatever form.

The above income tax general order is issued by FBR to disable mobile phones, discontinue electricity and gas connections in case of persons whose name are not appearing in the name of ATL but are liable to file income tax return.

#### PART IV- DIVISION VII – CHANGE IN ADVANCE TAX REGISTRATION OF NEW MOTOR

It has been proposed that the rate of advance tax should be based on the value of the motor vehicle based on engine capacity instead of fixed tax based on engine capacity. The table of rates mentioned in this division has been proposed to be changed and the proposed table is given below:

| S. No. | Engine Capacity  | Tax (Existing)   | Rate of Tax (Proposed) |
|--------|------------------|------------------|------------------------|
| 1      | Upto 850cc       | Rs. 10,000       | 0.5% of the value      |
| 2      | 851cc to 1000cc  | Rs. 20,000       | 1% of the value        |
| 3      | 1001cc to 1300cc | Rs. 25,000       | 1.5% of the value      |
| 4      | 1301cc to 1600cc | Rs. 50,000       | 2% of the value        |
| 5      | 1601cc to 1800cc | Rs. 150,000      | 3% of the value        |
| 6      | 1801cc to 2000cc | Rs. 200,000      | 5% of the value        |
| 7      | 2001cc to 2500cc | 6% of the value  | 7% of the value        |
| 8      | 2501cc to 3000cc | 8% of the value  | 9% of the value        |
| 9      | Above 3000cc     | 10% of the value | 12% of the value       |

#### PART IV- DIVISION X & DIVISION XVIII – INCREASE IN RATE OF TAX IN CASE OF SALE/TRANSFER & PURCHASE OF PROPERTY

It has been proposed that the rate in case of sale/transfer of property and purchase of property be revised. Proposed rates of advance tax in case of sale/transfer of immovable property is given below:

| S. No. | Amount                                                                              | Tax Rate (ATL) | Tax Rate (Non-ATL) | Tax Rate (ATL but Late Filers) |
|--------|-------------------------------------------------------------------------------------|----------------|--------------------|--------------------------------|
| 1      | Where the gross amount of the consideration received does not exceed Rs. 50 million | 3%             | 10%                | 6%                             |
| 2      | Where the gross amount of the consideration received exceeds Rs.                    | 3.5%           |                    | 7%                             |

|   |                                                                              |    |  |    |
|---|------------------------------------------------------------------------------|----|--|----|
|   | 50 million but does not exceed Rs 100 million                                |    |  |    |
| 3 | Where the gross amount of the consideration received exceeds Rs. 100 million | 4% |  | 8% |

Proposed table for the rate of advance tax in case of purchase of immovable property is given below:

| S. No. | Amount                                                                                | Tax Rate (ATL) | Tax Rate (Non-ATL) | Tax Rate (ATL but Late Filers) |
|--------|---------------------------------------------------------------------------------------|----------------|--------------------|--------------------------------|
| 1      | Where the fair market value does not exceed Rs. 50 million                            | 3%             | 12%                | 6%                             |
| 2      | Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million | 3.5%           | 16%                | 7%                             |
| 3      | Where the fair market value exceeds Rs. 100 million                                   | 4%             | 20%                | 8%                             |

## **AMENDMENTS INTRODUCED TO THE SECOND SCHEDULE TO THE INCOME TAX ORDINANCE, 2001.**

The following amendments are introduced to the Second Schedule of the Income Tax Ordinance, 2001:

### **PART I – EXEMPTIONS FROM TOTAL INCOME**

#### **Omission of Clause 102A**

It is proposed to tax the subsidy granted to any person as income by the Federal Government for the purposes of implementation of any orders of the Federal Government in this behalf.

#### **Extension of Exemption – Clause 145A**

Previously, resident persons of FATA/PATA were exempted from income tax from 1<sup>st</sup> day of June 2018 to 30<sup>th</sup> June 2024. This exemption is now proposed to be extended till 30<sup>th</sup> June 2025.

### **PART II – REDUCTION IN TAX RATES**

#### **Increase rate of tax for cigarettes – Clause 24A**

It is proposed that reduced tax rate of withholding from distributors of cigarette shall be increased from 1% to 2.5% of gross amount payable.

### **PART III – REDUCTION IN TAX LIABILITY**

#### **Omission of Clause 2**

It is proposed that tax reduction of 25% allowed to full time teacher or a researcher, employed in a non-profit organisation or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission shall be omitted.

### **PART IV – EXEMPTION FROM SPECIFIC PROVISIONS**

#### **Extension of Exemption – Clause 109A**

Previously, resident persons of tribal areas forming part of provinces of KPK and Baluchistan were exempted from withholding tax from 1<sup>st</sup> day of June 2018 to 30<sup>th</sup> June 2024. This exemption is now proposed to be extended till 30<sup>th</sup> June 2025.

#### **Extension of Exemption – Clause 110**

Previously, resident persons of tribal areas forming part of provinces of KPK and Baluchistan were exempted from withholding tax from 1<sup>st</sup> day of June 2018 to 30<sup>th</sup> June 2024. This exemption is now proposed to be extended till 30<sup>th</sup> June 2025.

## **AMENDMENTS INTRODUCED TO THE SEVENTH SCHEDULE TO THE INCOME TAX ORDINANCE, 2001.**

### **Amendment of Rule 1(d)**

It has been proposed that the following rule shall be applicable for the allowance or disallowance of provision of bad debts:

“The amount of “bad debts” classified as “substandard” or “doubtful” under the Prudential Regulations issued by the State Bank of Pakistan or provisions for advances, off-balance sheet items or any other financial asset classified in stage I, II or III as performing, under-performing or non-performing under any applicable accounting standard including IFRS 09 shall not be allowed as expense:

Provided that only “bad debts” classified as “loss” pertaining to non-performing assets under the Prudential Regulations issued by the State Bank of Pakistan shall be allowed as expense.”

The proposed change stipulates that banking companies will no longer be permitted to claim adjustments due to the application of IFRS 9.

### **Addition of Rule 1(da)**

It has been proposed that following rule shall be added for the expected credit losses as per IFRS-9:

“(da) Provisions or Expected Credit loss for Advances and off-balance sheet items or any other financial asset existing before or after the 1st day of January, 2024 under IFRS 09 shall not be allowed as an expense or deduction.”.

### **Addition in Rule 7CA**

Following explanation regarding the super tax under section 4C has been proposed to be inserted.

“Explanation. – For removal of doubt it is clarified that the expression “tax year 2023 onwards”, means that provisions of section 4C are applicable for the tax year 2023 and for all subsequent tax years.”

## AMENDMENTS INTRODUCED TO THE TENTH SCHEDULE TO THE INCOME TAX ORDINANCE, 2001.

### Amendments in Rule 1

It is proposed that the rate shall be same 100% in case of person not appearing on Active Tax Payer List.

### Amendments in Proviso of Rule 1

Proposed rates for the collection of advance tax on purchase of immovable property u/s 236k in case of person not appearing on Active Tax Payer List, shall be:

| S.No. | Fair Market Value of Immovable Property                                               | Tax Rate |
|-------|---------------------------------------------------------------------------------------|----------|
| 1     | Where the fair market value does not exceed Rs. 50 million                            | 12%      |
| 2     | Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million | 16%      |
| 3     | Where the fair market value exceeds Rs. 100 million                                   | 20%      |

Further, the proposed rates of withholding/advance tax in case of persons not appearing on Active Tax Payer List against the following sections will be:

| S.No. | Section      | Description                                                                                        | Tax Rate |
|-------|--------------|----------------------------------------------------------------------------------------------------|----------|
| 1     | Section 151  | On yield or profit on debt                                                                         | 35%      |
| 2     | Section 236C | On the gross amount of Consideration received on sale or transfer of immovable property            | 10%      |
| 3     | Section 236G | On the gross amount of sale to distributors, dealers or wholesalers other than sale of fertilizer. | 2%       |
| 4     | Section 236H | On the gross amount of sale to retailers                                                           | 2.5%     |

### Addition of Rule 1A

New rule is proposed to be inserted regarding the late filing of income tax return. Persons appearing on Active tax payer list but who have filed the return after the due date shall be charged to higher rate of tax as compared to filers but lower than the non-filers. Proposed table for the rate of advance tax in case of sale/transfer of immovable property under section 236C is given below:

| S. No. | Gross Amount of Consideration Received                                                                         | Tax Rate |
|--------|----------------------------------------------------------------------------------------------------------------|----------|
| 1      | Where the gross amount of the consideration received does not exceed Rs. 50 million                            | 6%       |
| 2      | Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs 100 million | 7%       |
| 3      | Where the gross amount of the consideration received exceeds Rs. 100 million                                   | 8%       |

Proposed table for the rate of advance tax in case of purchase of immovable property under section 236K is given below:

| S. No. | Fair Market Value of Immovable Property                                               | Tax Rate |
|--------|---------------------------------------------------------------------------------------|----------|
| 1      | Where the fair market value does not exceed Rs. 50 million                            | 6%       |
| 2      | Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million | 7%       |
| 3      | Where the fair market value exceeds Rs. 100 million                                   | 8%       |

#### **Addition of Rule 10(y)**

It is proposed to make an addition in Rule 10 which prescribes that the rate of withholding tax on capital gain on securities u/s 37A shall not be charged to any additional tax if the person's name is not appearing in the ATL.

## THE SALES TAX ACT, 1990

### AMENDMENTS PROPOSED BY THE FINANCE BILL, 2024

**All amendments shall be effective from July 01, 2024 unless otherwise provided**

The summary of the amendments proposed in various sections and schedules of The Sales Tax Act, 1990 is as under: -

#### 1. Definitions

#### SECTION 2

The following amendments to section 2 of the Sales Tax Act, 1990, have been proposed through the Finance Bill, 2024.

##### **Associates (Associated Persons)**

##### CLAUSE 3

In order to achieve harmony among the tax statutes, it has been proposed that associates / associated persons shall have the same meaning as defined in section 85 of the Income Tax Ordinance, 2001.

##### **Board**

##### CLAUSE 4

Again, in order to achieve harmony among the tax statutes, it has been proposed that board shall have the same meaning as defined in section 2 of the Income Tax Ordinance, 2001.

##### **Investigative Audit**

##### CLAUSE 14A

This newly inserted clause defines investigative audit as audit conducted under section 25A of the Act. A corresponding section 25AB has also been proposed, which provides the purpose and procedure of investigative audit.

##### **Licensed Integrator**

##### CLAUSE 15A

This newly inserted clause defines licensed integrator as a person who is licensed by the Board to provide electronic invoicing system for integration of registered persons. The taxpayers shall be required to obtain electronic invoicing system only from licensed integrators.

##### **Tax Fraud**

##### CLAUSE 37

The existing definition is proposed to be replaced with a new definition which enhances the scope of Tax Fraud. The proposed definition seeks to streamline and strengthen the provisions and removes any ambiguity or discretion while interpreting any transaction / activity as tax fraud.

The proposed definition provides that tax fraud shall mean intentional evasion of due tax or obtaining undue refund includes: -

- (a) Suppression of taxable sales or receipts.
- (b) Inadmissible adjustment of input tax.
- (c) Supply of taxable goods without issuing tax invoice.
- (d) Issuance of sales tax invoice without actual supply of goods, leading to inadmissible claim of input tax credit or refund.
- (e) Availing undue input tax credit or obtaining inadmissible refund by any means or methods.
- (f) Failing to deposit collected tax beyond a period of three months from due date of payment of tax.
- (g) Falsification or substitution of financial records or production of fake accounts or documents or furnishing of any false information through human, mechanical or electronic means with an intention to evade tax due or claim inadmissible refund.
- (h) Tampering with or destroying any material evidence or documents required to be maintained under this Act.
- (i) Acquisition, possession, transportation, disposal or in any way removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner dealing with, any goods in respect of which there are reasons to believe that these are liable to confiscation under this Act.

The above activities shall be treated intentional on part of taxpayer unless the person accused of tax fraud proves that he had no intention, motive, knowledge, or reason to believe that he was committing a tax fraud.

#### **Time of Supply**

#### **CLAUSE 44**

It has been proposed that the sales tax shall be payable at the time of receipt of advance against goods or delivery of goods, whichever is earlier. Prior to this amendment, the tax was payable at the time of delivery of goods.

#### **Value of Supply**

#### **CLAUSE 37**

The proposed amendment seeks to empower the Board to fix the value of goods which are subject to retail tax under the third schedule.

### **2. Scope of Tax**

#### **SECTION 3**

It has been proposed to omit the provision empowering Board to specify and require taxpayers to integrate their invoice issuing system with the Board' Computerized System for real time reporting of sales.

A corresponding insertion is proposed in section 40C restoring the above power of board therein.

### **3. Assessment of Tax & Recovery of Tax not levied or short levied or erroneously refunded**

#### **SECTION 11**

It has been proposed to omit this section. The omitted section provided procedures, conditions and limitations for tax authorities to initiate audit and assessment proceedings against taxpayer in specific conditions.

Four new corresponding sections numbering 11D to 11G have been introduced, which provide provisions relating to audit and assessment by tax authorities.

**4. Limitation for issuing orders in certain cases**

**SECTION 11B**

In order to achieve harmony with the income tax law, it has been proposed to abolish the existing provisions for giving sales tax appeal effect of court orders.

The new insertion provides that the effect of any sales tax order of Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court shall be given as per section 124 of the Income Tax Ordinance 2001.

**5. Best Judgement Assessment**

**SECTION 11D**

Consequent to the abolishment of section 11, this new section is proposed to be inserted with following significant provisions: -

- Where a person fails to furnish a sales tax return in response to notice or fails to produce documents and records required by tax department under section 25 or 38A, the officer of Inland Revenue may, issue a show cause to such person.
- The officer may on the basis of available information make an assessment of tax payable or refund due.
- The officer may also disallow or reduce a taxpayer's input tax on goods or services if the taxpayer is unable to provide relevant record.
- In case of non-filing of return, if return is filed subsequently and tax, default surcharge and penalty is paid, the notice to show cause and the order of assessment shall abate.

**5A. Assessment of Tax and Recovery of tax not levied or short levied or erroneously refunded**

**SECTION 11E**

This newly inserted section deals with the situations where any tax has not been levied or short levied or where consequent to audit proceedings or otherwise, the tax department suspects that the tax is not paid / short paid or inadmissible input tax is claimed or inadmissible refund is obtained by a person.

In the above-mentioned situations, the officer Inland Revenue will issue show cause notice and will pass an order determining the recoverable amount. The officer may also disallow input tax on goods or services if the taxpayer is unable to provide relevant record.

**5B. Failure to withhold Sales Tax**

**SECTION 11F**

This newly inserted section deals with the situation where a violation of sales tax withholding provisions is committed by a withholding agent.

In such cases, the officer shall issue a show cause notice and shall pass an order to determine and recover the amount.

#### **5C. Limitation for Assessment**

#### **SECTION 11G**

This newly inserted section provides time limitation for issuance of show cause notice and passing of order under newly inserted sections 11D, 11E and 11F. The time limitations are: -

- The show cause notice shall be issued within five years, from the end of the financial year in which the relevant date falls.
- An order shall be made within one hundred and twenty days of issuance of show cause notice or within such extended period as the Commissioner may specify, provided that such extended period shall in no case exceed from ninety days.
- The period during which the proceedings are adjourned on account of a stay order or Alternative Dispute Resolution proceedings or the time taken through adjournment by the registered person not exceeding sixty days shall be excluded from the computation of the period for passing order.

#### **6. De-registration, blacklisting and suspension of Registration**

#### **SECTION 21**

It has been proposed to empower Chief Commissioner to examine and modify the blacklisting order of Commissioner Inland Revenue.

The Chief Commissioner may exercise above power either of his own motion or on an application by concerned taxpayer.

#### **7. Tax Invoices**

#### **SECTION 23**

The proposed amendment seeks to clarify the existing provisions and provides that the taxpayer shall issue electronic invoices in accordance with the procedure specified by the Board.

#### **8. Audit of Sales Tax Affairs**

#### **SECTION 25**

The heading of the section is changed from "Access to record, documents etc." and existing provisions has been replaced. Detailed procedure is provided for conducting sales tax audit by tax department. The significant provisions related to sales tax audit are as under:-

- The Commissioner on the basis of reasons to be recorded in writing, may direct the officer of Inland Revenue to conduct audit of sales tax affairs of any registered person and issue a notice to such registered person providing him recorded reasons and intimating him regarding audit of sales tax affairs.

- The Commissioner may not provide an opportunity of hearing and shall pass any order before issuance of any notice to the taxpayer.
- The reasons for conducting audit shall be based on scrutiny of the available records including sales tax and federal excise returns, income tax returns and withholding statements, financial statements or third party information:
- The reasons should be concrete and valid and should not include the mere verification of input tax, output tax, refund claim and compliance of legal provisions without identifying risk factors that require such verification.
- Subsequent to notice, the officer may call for any record or documents required to be maintained under the law.
- The officer may obtain duly attested hard copies of such information or data.
- The Officer shall not call for record or documents after expiry of six years from the end of the financial year to which they relate.
- The officer of Inland Revenue may conduct enquiry and obtain such information from any third party as he considers appropriate.
- The audit proceedings may be conducted electronically through video links, or any other facility as may be prescribed by the Board.
- On completion of audit, the officer may, pass an order under section 11E, after providing an opportunity of being heard to the taxpayer.
- If taxpayer fails to provide requisite record for audit, the officer may make best judgment assessment under section 11D of this Act.
- If officer suspects that taxpayer is involved in tax fraud, he may conduct an investigative audit under section 25AB.
- If taxpayer wishes to deposit the tax along with default surcharge voluntarily, whenever it comes to his notice, before receipt of notice of audit, no penalty shall be recovered from him.
- If a taxpayer wishes to deposit tax along with default surcharge during the audit, or at any time before issuance of show cause notice under section 11E, he may deposit twenty five per cent of the penalty.

If taxpayer wishes to deposit tax along with default surcharge after issuance of show cause notice under section 11E, he shall be required to deposit full amount penalty and thereafter, the show cause notice shall stand abated.

## **9. Investigative Audit**

### **SECTION 25AB**

This newly inserted section provides conditions and procedures for conducting investigative audit. The significant provisions to conduct audit under this section are: -

- On the basis of information obtained during audit or otherwise, if the officer on the balance of probabilities, suspects that a registered person is involved in tax fraud, he may with the prior approval of the Commissioner in writing, initiate investigative audit against such person.
- Officer shall conduct investigative audit on the basis of the record and evidence obtained under sections 37, 37A, 38, 38A, 38B and 40,
- The investigative audit shall be completed within ninety days of the initiation of such audit.
- After completion of investigative audit the officer may take one or more of the following actions:
  - (a) Pass an order under section 11E, after providing an opportunity of being heard to the registered person.
  - (b) Issue a best judgment assessment order under section 11D, where the registered person fails to produce the relevant record.
  - (c) Blacklist the registered person under section 21.
  - (d) Impose penalty and cause prosecution of the registered person as provided in section 33.

The officer may disallow input tax on goods or services, if the registered person is unable to provide relevant record.

## **10. Return**

### **SECTION 26**

Keeping in view the provisions of newly inserted section 11D, corresponding insertion regarding issuance of notice for non-filing of return has been proposed in this section.

The proposed insertion provides that the tax officer may issue notice for filing of missing returns. Such notice may be issued within 15 years from the end of concerned financial year in which return(s) was to be filed in case of tax fraud and within 5 years in other cases.

## **11. Offences and penalties**

### **SECTION 33**

The amendments proposed in this section are as under:-

- Tax Fraud:

In case of tax fraud: -

- a) Penalty of twenty-five thousand rupees or one hundred percent of the amount of tax evaded whichever is higher shall be imposed.
- b) Further the person shall also be liable, upon conviction to imprisonment for a term which may extend to five years to ten years depends on amount of tax involved.
- c) Further more fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded.
- d) The person who abets or connives in commissioning of tax fraud shall also be liable, upon conviction to imprisonment for a term which may extend to five years to ten years and with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded.

- Licensed Integrator

Any licensed integrator who fails to integrate registered persons in the manner as required, such integrator shall be liable to pay penalty of rupees one million or one percent of the total value of the sales suppressed, whichever is higher.

## **12. Default Surcharge**

## **SECTION 34**

The rate of default charge is proposed to be increased from 12% per annum to KIBOR plus three percent per annum.

## **13. Monitoring or Tracking by Electronic or other means**

## **SECTION 40C**

Consequent to the amendment proposed in section 3, a corresponding amendment is proposed in this section wherein the power of board is restored to specify and require taxpayers to integrate electronic invoices with computerized systems for real time reporting. Prior to this amendment the board exercised such power under section 3.

It has further been proposed that the integration of electronic invoicing system shall be done by a licensed integrator only.

## **14. Pecuniary Jurisdiction in Appeals**

## **SECTION 43A**

As per existing provisions of this section, the cases pending before Commissioner (Appeals) having value of assessment of tax or refund of tax exceeding Rs. 10 million shall be transferred to Appellate tribunal by 16/06/2024.

The proposed amendment seeks to extend the date of transfer of cases from 16/06/2024 to 16/09/2024.

## 15. Appeals

## SECTION 45B

In order to achieve clarity and removal of ambiguity, the word “assessment” is proposed to be replaced with the words “assessment of tax”

## 16. Appeals to Appellate Tribunal

## SECTION 46

The proposed amendment seeks to clarify that the appeal against blacklisting order shall not lie before Appellate Tribunal.

## 17. Saving

## SECTION 47AB

This newly inserted section provides that the period of limitation for filing of appeals before Appellate Tribunal and High Court shall continue to apply where any decision of the commissioner (Appeals) or the Appellate Tribunal is received prior to the date of commencement of the Tax Laws (Amendment) Act, 2024.

## 18. Certain transactions not admissible

## SECTION 73

It has been clarified that the threshold of fifty thousand for making payment through banking channel comprises of value including sales tax.

## 19. Third Schedule

## Tax on Retail Price

It has been proposed to add DAP fertilizer in this schedule, consequently sales tax on DAP shall be charged at retail price by respective manufacturer / importer.

## 20. Fifth Schedule

## Zero percent Rate of Tax

Fifth Schedule provides list of goods which are subject to zero percent sales tax. It has been proposed to withdraw zero rating on following goods, consequently these goods will be subject to sales tax at normal rate of 18% unless otherwise provide: -.

| Sr # | Description of Goods Excluded from Fifth Schedule                                                                                                                                                                                                                                       |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.   | Preparations suitable for infants. Currently this item having retail sale not exceeding rupees six hundred per two hundred grams was subject to zero rating.                                                                                                                            |
| 2.   | Raw materials for manufacturing of stationery items namely Pencils, Color Pencils, Pens, Ball Pens, Markers, Porous Tipped Pens, Pencil Sharpeners, Erasers, Exercise Books, Colors in Sets, Inks, other drawing, marking out or mathematical calculating instruments and geometry box. |
| 3.   | Milk including fat filled milk. A corresponding insertion is proposed in Table-2 of the Sixth Schedule to allow exemption on local supply of milk which is not sold under a brand name.                                                                                                 |
| 4.   | 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 |
|--|-------------------------------------------------------------------------------------------------------------------------|

## 21. Sixth Schedule

## Exempt from Tax

- a) Table-1 of sixth schedule provides list of goods which are exempt from sales tax whether imported or locally supplied.

It has been proposed to withdraw exemption of sales tax on import / local supply of following goods consequently import / supply of these goods will be subject to normal rate of sales tax unless otherwise provided: -

| Sr # | Description of Goods Excluded from Sixth Schedule Table-1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.   | Edible vegetables imported from Afghanistan including roots and tubers whether fresh, frozen or otherwise preserved.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 2.   | Fruit imported from Afghanistan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 3.   | Newsprint and books. A corresponding insertion is made in Eight Schedule to impose 10% sales tax on these goods.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 4.   | Stationery items namely Colors in sets (Poster colors), Writing, drawing and making Inks, Erasers, Exercise books, Pencil sharpeners, other drawing, marking out or mathematical calculating instruments (geometry box), Pens, ball pens, markers and porous tipped pens, Pencils including color pencils. A corresponding insertion is made in Eight Schedule to impose 10% reduce rate of tax on these goods.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 5.   | Specified medical equipment and products including angioplasty products, angiography products, contrast media for angiography/angioplasty, temporary pacemakers, permanent pacemaker, heart failure devices, implantable cardioverters, cardiac electrophysiology products, leaer cardiology products, cardiac surgery products, equipment of cardiac angiography machine, Echocardiography Machines, ETT Machines, Gamma Camera for Nuclear Cardiology Studies and other specified medical treatment machines and systems, Peripheral Interventions Equipment.                                                                                                                                                                                                                                                                                                                                                                                               |
| 6.   | Diagnostic kits or equipment including HIV Kits, 4C Es Trionyx, 5C Cell control Lnormal, Bovine precision multi sera, Pregnancy test, DNA SSP DRB Generic IC, Reticulocyte count (control) retic C Control, Kit for vitamin B12 estimation, Ferritin kit, HEV (Hepatitis E virus), ID-DA Cell, Urine Analysis Strips, Albumin beg, Cratinin sysi Ring, Detektiion cups, ISE Standard, Alkaline phosphatase (Alb), Bilirubin kit, HDL Cholesterol, Ck creatinin kinase (mb) Ck nac, Glulcose kit, Ammonia Modular Lac, Ldh kit (lactate dehydrogenase kit), Urea uv kit Ua plus, Tina quant, Crp control, Aslo tin, Proteins Lipids, HDL/LDL cholesterol, Protein kit, U Control Sera, Pac Control, HCV, UIBC (Unsaturated iron binding capacity), U/CSF, Inorganic Phosphorus kit, Kit amplicon kit (for PCR), Ige, Lc hsv, Oligo, NA/K/CL, Hcy, Standard or calibrated Hla B27, Liss Coombs, Typhoid kit, HCV amp, Urine test strips, Strips for sugar test, |

|     |                                                                                                                                                                                                                                                                                                                                                                    |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|     | Blood glucose test strips, Kits for automatic cell separator for collection of Platelets, Elisa or Eclia kit, PCR kits, Immunoblast (western blottest), I.C.T.(Immunochromatographic kit), CBC Reagent for hematology analyzer), Complete blood count reagent                                                                                                      |
| 7.  | Supplies / imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas. A corresponding insertion is made in Eight Schedule to impose 6% reduce rate of tax on such goods.                                                                                                      |
| 8.  | Supplies of electricity to residential, commercial and industrial consumers in tribal areas. Prior to this proposed amendments, supply of electricity in tribal area (except supply to steel and ghee or cooking oil industries) was exempt from levy of sales tax. A corresponding insertion is made in Eight Schedule to impose 6% rate of tax that such supply. |
| 9.  | Goods supplied to charitable hospitals. Prior to this, supply of goods to charitable hospitals of fifty beds or more was exempt from levy of sales tax.                                                                                                                                                                                                            |
| 10. | Oil cake and other solid residues. A corresponding insertion is made in Eight Schedule to impose 10% sales tax on these goods.                                                                                                                                                                                                                                     |
| 11. | Tractor. A corresponding insertion is made in Eight Schedule to impose 10% sales tax on this item.                                                                                                                                                                                                                                                                 |
| 12. | Machinery and equipment listed at serial number 32 of the Table of Part-I of Fifth Schedule to the Customs Act, 1969.                                                                                                                                                                                                                                              |
| 13. | Goods imported by hospitals. Earlier goods imported by hospitals run by Non-profit organizations were exempt from levy of sales tax.                                                                                                                                                                                                                               |

It has further been proposed to allow exemption of sales tax on import / local supply of following goods: -

| Sr # | Description of Goods Included in Sixth Schedule Table-1                                                                                                                                                                                                                                                                                                                                                                                              |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.   | 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 a foreign government or organization by the Federal or Provincial Governments or any public sector organization, subject to the condition that donated goods shall not be sold, utilized or disposed of otherwise than for the purpose for which the same have been imported. |
| 2.   | POL products including MS Petrol, High Speed Diesel Oil, Kerosene and Light Diesel Oil                                                                                                                                                                                                                                                                                                                                                               |

- b)** Table-2 of sixth schedule provides list of goods which is exempt from levy of sales tax if supplied locally.

It has been proposed to withdraw exempt of sales tax on local supply of following goods by excluding them from Table-2 of Sixth Schedule. A corresponding insertion is proposed in Eight Schedule to impose 10% reduced rate of tax on these goods subject to fulfillment of conditions specified therein: -

| Sr # | Description of goods Excluded from Sixth Schedule Table-2                            |
|------|--------------------------------------------------------------------------------------|
| 1.   | Vermicillies, sheer mal, bun and rusk.                                               |
| 2.   | Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal. |

It has further been proposed to add following goods in Table-2, consequently local supply of these goods will be exempt from levy of sales tax:-

| Sr # | Description of goods Included in Sixth Schedule Table-2                                                                                            |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.   | Milk excluding that sold under a brand name. Prior to this insertion, milk whether branded or not was subject to zero rating under Fifth Schedule. |
| 2.   | Iron and steel scarp                                                                                                                               |

## 22. Eighth Schedule

## Reduced Rate of Tax

Table 1 of eighth schedule provides list of goods which are subject to reduced rate of sales tax on fulfillment of specified conditions. Following amendments have been proposed in this schedule: -

- It has been proposed to exclude some goods from Table-1 of Eight Schedule, consequently these goods will be subject of 18% rate of sales tax. The description of goods excluded along with conditions and reduced rate applicable before exclusion is as under: -

| Sr # | Description of goods Excluded from Eighth Schedule Table-1                                                                                                                                                            |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.   | 10% rate of tax on import and local supply of LPG.                                                                                                                                                                    |
| 2.   | 15% rate of tax on supply of finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather by retailers integrated with Board's computerized system. |
| 3    | 8.5% rate of tax on locally manufactured hybrid electric vehicle upto 1800 cc                                                                                                                                         |
| 4.   | 12.75% rate of tax on locally manufactured hybrid electric vehicle from 1801 cc to 2500 cc.                                                                                                                           |
| 5.   | 1% rate of tax on Medicaments imported by manufacturer or importer.                                                                                                                                                   |

- The rate of sales tax is increased from 5% to 10% on import of computers, Laptops, notebooks.
- It has been proposed introduce reduced rate of tax on same goods. Prior to this insertion, these items were exempt from tax under sixth schedule. A corresponding amendment in sixth schedule is proposed for deletion of these items therein. The description of goods included along with conditions and respective reduced rate is as under:-

| Sr # | Description of Goods Included in Eighth Schedule<br>Table-1                                                                                                                                                                                                                                                | Rate of Tax                                                |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| 1    | Stationery items namely Colors in sets (Poster colors), Writing, drawing and making Inks, Erasers, Exercise books, Pencil sharpeners, other drawing, marking out or mathematical calculating instruments (geometry box), Pens, ball pens, markers and porous tipped pens, Pencils including color pencils. | 10%                                                        |
| 2    | Supplies / imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas. A corresponding insertion is made in Eight Schedule to impose 6% reduce rate of tax on such goods.                                              | 6% till 30/06/2025 and 12% from 01/07/2025 till 30/06/2026 |
| 3    | Supplies of electricity to residential and commercial consumers in tribal area and such industrial consumers in tribal area (excluding steel and ghee or cooking oil industries) who started production before 31 <sup>st</sup> May 2018.                                                                  | 6% till 30/06/2025 and 12% from 01/07/2025 till 30/06/2026 |
| 4    | Oil cake and other solid residues                                                                                                                                                                                                                                                                          | 10%                                                        |
| 5    | Tractors                                                                                                                                                                                                                                                                                                   | 10%                                                        |
| 6    | Local supply of Vermicillies, sheer mal, bun and rusk excluding those sold by Tier 1 Retailers.                                                                                                                                                                                                            | 10%                                                        |
| 7    | Local supply of poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal subject to the condition that refund of excess input tax (if any) shall not be admissible.                                                                                                             | 10%                                                        |
| 8    | Newsprint and books (excluding brochures, leaflets and directories) subject to the condition that refund of excess input tax (if any) shall not be admissible.                                                                                                                                             | 10%                                                        |

## 23. Ninth Schedule

## Fixed Rate of Tax

- a) Table-2 of Ninth Schedule provides rate of sales tax applicable on Mobile phones. It has been proposed to reclassify the categories of Mobile phones for levy of sales tax. The sales tax shall be charged on import value per set, or equivalent value in rupees in case of supply by the manufacturer as per following: -

| Import Value of Mobile | 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) |
|------------------------|-------------------------------------------------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| Not exceeding US\$ 500 | 18% ad valorem                                                                | 18% ad valorem                            | 18% ad Valorem                                                                                                 |
| Exceeding US\$ 500     | 25% ad valorem                                                                | 25% ad valorem                            | 18% ad valorem                                                                                                 |

b) It has further been proposed to withdraw following conditions associated with goods taxed under Ninth Schedule: -

- The input tax paid by purchaser / importer shall not be deductible against the output tax.

Consequent to withdrawal of above condition, now the purchaser shall be eligible to adjust input tax paid on procurement of these goods against their out-tax liability.

- The input tax paid on the input goods attributable to the goods specified in this Schedule shall not be deductible for the tax payable under this Schedule.

Consequent to withdrawal of above condition, the manufacturer / importer of these goods shall now be eligible to adjust input tax paid on manufacturing / import of these goods.

- The Board may prescribe further mode and manner of payment of tax due under this Schedule.

Consequent to withdrawal of above condition, power of board is curtailed.

## 24. Eleventh Schedule

## Sales Tax Withholding

Eleventh Schedule provides procedure and rate of sales tax withholding. Following amendments has been proposed in this schedule: -

- The rate of sales tax withholding by Lead Battery Manufacturers on purchase of lead has been increased from 75% to 80% of applicable sales tax.
- Following new categories and rate of sales tax withholding has been introduced.

| Sr # | Withholding Agent                       | Supplier Category                                             | Rate of Deduction               |
|------|-----------------------------------------|---------------------------------------------------------------|---------------------------------|
| 1.   | Registered persons manufacturing cement | Persons supplying any kind of gypsum or limestone flux        | 80% of the sales tax applicable |
| 2.   | Registered Persons                      | Persons supplying any kind of coal                            | 80% of the sales tax applicable |
| 3.   | Registered Persons                      | Persons supplying any kind of waste of paper and paper board. | 80% of the sales tax applicable |
| 4.   | Registered Persons                      | Persons supplying any kind of plastic waste.                  | 80% of the sales tax applicable |
| 5.   | Registered Persons                      | Persons supplying crush stone and silica.                     | 80% of the sales tax applicable |

- It has further been proposed that the immunity of sales tax withholding on transaction between sales tax active taxpayers shall not be available on following transactions: -
  - (i) Procurement of advertisement services.
  - (ii) Procurement of lead by manufacturer of lead batteries.
  - (iii) Procurement of gypsum or limestone flux by cement manufacturers.
  - (iv) Procurement of coal by registered person.
  - (v) Procurement of waste of paper and paper board by registered person.
  - (vi) Procurement of plastic waste by registered person.
  - (vii) Procurement of crush stone and silica by registered person

## 24. Twelfth Schedule

## Minimum Value Addition

The proposed amendment to incorporate respective PCT headings in procedure and conditions of the schedule for clarification and removal of ambiguity.

## FEDERAL EXCISE ACT, 2005

### AMENDMENTS PROPOSED BY THE FINANCE BILL, 2024

**All amendments shall be effective from July 01, 2024 unless otherwise provided**

The detail of amendments proposed in various sections and schedules of Federal Excise Act, 2005 are as under:

#### **1. Default Surcharge**

#### **SECTION 8**

The proposed increment seeks to increase the rate of default surcharge from 12% per annum to KIBOR plus three percent per annum.

#### **2. Offences, Penalties, Fines and allied matters**

#### **SECTION 19**

Following insertions have been proposed in this section:

- If plant and machinery having value of rupees fifty million and above is installed or such plant commences production or such plant and machinery is removed without prior permission of the Commissioner, such offence is liable to fine which may extend to fifty thousand rupees or five times of the duty involved whichever is higher and punishment with imprisonment which may extend to five years.
- If any retailer is found selling cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the retail outlet of such person shall be liable to be sealed.

#### **3. Appeals to Commissioner (Appeals)**

#### **SECTION 33**

In order to achieve clarity and removal of any ambiguity, the word "assessment" is proposed to be replaced with the words "assessment of tax".

#### **4. Pecuniary Jurisdiction in Appeals**

#### **SECTION 33A**

As per this section, the cases pending before Commissioner (Appeals) having value of assessment of tax or refund of tax exceeding Rs. 5 million shall be transferred to Appellate Tribunal by 16/06/2024.

The proposed amendment seeks to extend the date of transfer of cases from 16/06/2024 to 16/09/2024.

#### **5. Saving**

#### **SECTION 34AB**

This newly inserted section provides that the period of limitation for filing of appeals before Appellate Tribunal and High Court shall continue to apply where any decision of the Commissioner (Appeals) or the Appellate Tribunal is received prior to the date of commencement of the Tax Laws (Amendment) Act, 2024.

## 6. FIRST SCHEDULE

## RATE OF DUTY ON GOODS AND SERVICES

Table 1 of the first schedule provides rate of duty applicable on different goods and items. The amendments proposed in this table are summarized below:

- a) Following items and respective rate of duty are proposed to be inserted in Table-1:
  - Duty at the rate of Rs. 44,000 per kg is imposed on Acetate Tow.
  - Duty at the rate of Rs. 1,200 per kg is imposed on Nicotine Pouches.
  - Duty at the rate of 5% is imposed on allotment or transfer of commercial property.
  - Duty at the rate of 5% is imposed on first allotment or transfer of residential property.
  - Duty at the rate of Rs. 15 per kg is imposed on supply of sugar to a manufacturer.
- b) Rate of duty on following items is proposed to be increased:
  - The duty is increased from Rs. 2 per kg to Rs. 3 per kg on all types of cement.
  - The duty is increased from Rs. 1,500 per kg to Rs. 80,000 per kg on Filter rod for cigarettes.
- c) Classification of following items has been changed for the purposes of levy of excise duty:
  - The rate of duty is changed from Rs. 10,000 per kg to Rs. 10,000 per kg or 65% of retail price whichever is higher on E-liquids used for electric cigarette kits.
  - Duty at the rate of Rs. 16,500 per thousand cigarettes is now applicable on locally produced cigarettes if retail price of such cigarettes exceeds Rs. 12,500 per thousand cigarettes. Prior to this proposed amendment, duty of Rs. 16,500 per thousand cigarettes was applicable on locally produced cigarettes if retail price of such cigarettes exceeds Rs. 9,000 per thousand cigarettes.
  - Duty at the rate of Rs. 5,050 per thousand cigarettes is now applicable on locally produced cigarettes if retail price of such cigarettes does not exceed Rs. 12,500 per thousand cigarettes. Prior to this proposed amendment, duty of Rs. 5,050 per thousand cigarettes was applicable on locally produced cigarettes if retail price of such cigarettes does not exceed Rs. 9,000 per thousand cigarettes.
- d) It has been clarified that with respect to restriction on cigarettes brand variant at different price points, the brand variant means any cigarette brand with similar logo, name, colour, design, pattern or any unique distinguishing mark associated with an existing brand family.

## 7. THIRD SCHEDULE

## CONDITIONAL EXEMPTION

Table 1 of the third schedule provides conditional exemption of duty on specified goods. It has been proposed to add following entry in this table to provide duty exemption to diplomats:

- Exemption is provided 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.



**PROPOSED TAX RATE CARD**  
**Tax Year 2024-25**

For client and staff use

| TAX RATES FOR SALARIED INDIVIDUALS |                  |                                                           |  |
|------------------------------------|------------------|-----------------------------------------------------------|--|
| Income group                       |                  | Rate                                                      |  |
| Up to                              | Rs. 600,000      | NIL                                                       |  |
| Rs. 600,001                        | to Rs. 1,200,000 | 5% of the amount exceeding Rs. 600,000                    |  |
| Rs. 1,200,001                      | to Rs. 2,200,000 | Rs.30,000 plus 15% of the amount exceeding Rs.1,200,000   |  |
| Rs. 2,200,001                      | to Rs. 3,200,000 | Rs.180,000 plus 25% of the amount exceeding Rs.2,200,000  |  |
| Rs. 3,200,001                      | to Rs. 4,100,000 | Rs.430,000 plus 30% of the amount exceeding Rs. 3,200,000 |  |
| above                              | Rs. 4,100,000    | Rs.700,000 plus 35% of the amount exceeding Rs. 4,100,000 |  |

| SUPER TAX ON HIGH EARNING PERSONS U/S 4C                                   |  | Rate |
|----------------------------------------------------------------------------|--|------|
| Income                                                                     |  |      |
| - Where income does not exceeds Rs. 150 million                            |  | 0%   |
| - Where income exceeds Rs. 150 million but does not exceed Rs. 200 million |  | 1%   |
| - Where income exceeds Rs. 200 million but does not exceed Rs. 250 million |  | 2%   |
| - Where income exceeds Rs. 250 million but does not exceed Rs. 300 million |  | 3%   |
| - Where income exceeds Rs. 300 million but does not exceed Rs. 350 million |  | 4%   |
| - Where income exceeds Rs. 350 million but does not exceed Rs. 400 million |  | 6%   |
| - Where income exceeds Rs. 400 million but does not exceed Rs. 500 million |  | 8%   |
| - Where income exceeds Rs. 500 million                                     |  | 10%  |

| RATE OF TAX ON CERTAIN PAYMENTS TO NON-RESIDENT PERSON U/S 6 |  | Rate |
|--------------------------------------------------------------|--|------|
| Gross amount                                                 |  |      |
| - Gross amount of Royalty or fee for technical services      |  | 15%  |
| - In other cases                                             |  | 10%  |

| Minimum Tax u/s 113 chargeable as per Division IX, Part-I, 1st Schedule |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1                                                                       | (a) Sui Southern & Sui Northern Gas Co., (for the cases where annual turnover exceeds 1 billion),(b) Pakistan international Airlines corporation and (c) Poultry industry including poultry breeding, broiler production, egg and poultry feed production (Tax Rate : 0.75%)                                                                                                                                                                                                                                                                                                                               |
| 2                                                                       | (a) Oil refineries (b)Motor Cycle dealers registered under ST Act, 1990 (c) Oil Marketing Companies (Tax Rate : 0.5%)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 3                                                                       | (a) Distributor of pharmaceutical products, fast moving consumer goods and cigarettes,(b) petroleum agents and distributors (who are registered under Sales Tax Act, 1990), (c) Rice Mills, Dealers (d) Tier-1 retailers of fast moving consumer goods who are integrated with Board or its computerized system for real time reporting of sales and receipt ; (e) person turnover from supplies through e- commerce including from running an online market place as defined in clause (388) of section 2. (f) person engaged in the sale and purchase of used vehicle (g) Flour mills (Tax Rate : 0.25%) |
| 4                                                                       | In all other cases (Tax Rate : 1.25 %)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

| WITHHOLDING TAX RATES FOR INDIVIDUAL & AOP UNDER SECTION 155 |                                                                   |
|--------------------------------------------------------------|-------------------------------------------------------------------|
| - Up to Rs. 300,000                                          | NIL                                                               |
| - Rs. 300,001 to Rs. 600,000                                 | 5% of gross amount exceeding Rs. 300,000                          |
| - Rs. 600,001 to Rs. 2,000,000                               | Rs.15,000 plus 10% of amount exceeding Rs. 600,000                |
| - Rs. 2,000,001 or above                                     | Rs.155,000 plus 25% of of the gross amount exceeding Rs.2,000,000 |

| WITHHOLDING TAX RATE FOR COMPANY UNDER SECTION 155                 | Rate |
|--------------------------------------------------------------------|------|
| The rate of withholding in the case of a company on amount of rent | 15%  |

| PROFIT ON DEBT UNDER SECTION 7B                                       | Rate       |
|-----------------------------------------------------------------------|------------|
| For Individual/AOP where profit on debt does not exceed Rs. 5,000,000 | 15%        |
| For Individual/AOP where profit on debt exceeds Rs. 5,000,000         | Slab rates |
| For Company where profit on debt either exceeds Rs. 5,000,000 or not  | 29%        |

| WITHHOLDING TAX RATE UNDER SECTION 151                                    | Rate (ATL) | Rate (Non-ATL) |
|---------------------------------------------------------------------------|------------|----------------|
| The rate of withholding in the case of person on amount of profit on debt | 15%        | 35%            |

| Rates of Depreciation, Initial Allowance and Amortisation as per 3rd Sch. |  | Rate |
|---------------------------------------------------------------------------|--|------|
| Particulars                                                               |  |      |
| Buildings (all types)                                                     |  | 10%  |
| Furniture including Fittings, Plant & machinery                           |  | 15%  |
| Motor Vehicle (all types)                                                 |  | 15%  |
| Ships, Technical and Professional Books                                   |  | 15%  |
| Computer Hardware including Printer etc.                                  |  | 30%  |
| Mineral Oil Concerns:                                                     |  |      |
| - Off Shore Platforms                                                     |  | 20%  |
| - Production Installations                                                |  | 20%  |
| Ramp built for disabled persons not exceeding Rs. 250,000/-               |  | 100% |
| Initial Allowance for Plant and Machinery u/s 23                          |  | 25%  |
| Amortisation of Pre-commencement expenditure u/s 25                       |  | 20%  |

| Advance Tax In Case of not Appearing in Active Taxpayers' List |                                                                                                    |      |
|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------|
| Section                                                        | Description                                                                                        | Rate |
| 1 Section 151                                                  | On yield or profit on debt                                                                         | 35%  |
| 2 Section 236G                                                 | On the Gross amount of Sale to distributors, dealers or wholesalers other than sale of fertilizer. | 2%   |
| 3 Section 236H                                                 | On the Gross amount of sale to retailers                                                           | 2.5% |

| TAX RATES FOR INDIVIDUALS AND ASSOCIATION OF PERSONS |                  |                                                            |  |
|------------------------------------------------------|------------------|------------------------------------------------------------|--|
| Income group                                         |                  | Rate                                                       |  |
| Up to                                                | Rs. 600,000      | NIL                                                        |  |
| Rs. 600,001                                          | to Rs. 1,200,000 | 15% of amount exceeding Rs.600,000                         |  |
| Rs. 1,200,001                                        | to Rs. 1,600,000 | Rs.90,000 plus 20% of the amount exceeding Rs.1,200,000    |  |
| Rs. 1,600,001                                        | to Rs. 3,200,000 | Rs.170,000 plus 30% of the amount exceeding Rs.1,600,000   |  |
| Rs. 3,200,001                                        | to Rs. 5,600,000 | Rs.650,000 plus 40% of the amount exceeding Rs.3,200,000   |  |
| above                                                | Rs. 5,600,000    | Rs.1,610,000 plus 45% of the amount exceeding Rs.4,000,000 |  |

| RATE OF TAX FOR COMPANIES              | TY 2024 | TY 2025 |
|----------------------------------------|---------|---------|
| Rate of tax for small companies        | 20%     | 20%     |
| Rate of tax for all kinds of companies | 29%     | 29%     |
| Rate of tax for banking companies      | 39%     | 39%     |

| TAX ON CAPITAL GAIN ON SALE OF IMMOVABLE PROPERTY Section 37(1A) |                                                                  |                                                          |                      |       |                                                                                                                                                                            |
|------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------|----------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sr. No                                                           | Holding Period                                                   | Rate of tax on properties acquired on or before 30/06/24 |                      |       | Rate of Tax on Properties acquired on or after 01/07/24                                                                                                                    |
|                                                                  |                                                                  | Open Plots                                               | Constructed Property | Flats |                                                                                                                                                                            |
| 1.                                                               | Where holding period is upto one year                            | 15.0%                                                    | 15.0%                | 15.0% | 15% for persons on the ATL.                                                                                                                                                |
| 2.                                                               | Where holding period is more than one but less than two years    | 12.5%                                                    | 10.0%                | 7.5%  |                                                                                                                                                                            |
| 3.                                                               | Where holding period is more than two but less than three years  | 10.0%                                                    | 7.5%                 | 0.0%  | and at the slab rates for individuals and AOPs and corporate rate for companies in respect of persons not on ATL, subject to a minimum rate of 15% tax on the capital gain |
| 4.                                                               | Where holding period is more than three but less than four years | 7.5%                                                     | 5.0%                 | 0.0%  |                                                                                                                                                                            |
| 5.                                                               | Where holding period is more than four but less than five years  | 5.0%                                                     | 0.0%                 | 0.0%  |                                                                                                                                                                            |
| 6.                                                               | Where holding period is more than five but less than six years   | 2.5%                                                     | 0.0%                 | 0.0%  |                                                                                                                                                                            |
| 7.                                                               | Where holding period is more than six years                      | 0.0%                                                     | 0.0%                 | 0.0%  |                                                                                                                                                                            |

| THE RATE OF TAX ON DEEMED INCOME U/S 7E | 20% |
|-----------------------------------------|-----|
|-----------------------------------------|-----|

| TAX ON MOTOR VEHICLES U/S 234 PASSENGER TRANSPORT VEHICLE - PLYING FOR HIRE |                            |                       |
|-----------------------------------------------------------------------------|----------------------------|-----------------------|
| Seating Capacity                                                            | (Rs/ seat/ annum) (Non AC) | (Rs/seat/ annum) (AC) |
| Four or more persons but less than ten                                      | 500                        | 1000                  |
| Ten or more persons but less than twenty                                    | 1500                       | 2000                  |
| Twenty or more persons                                                      | 2500                       | 4000                  |

| ADVANCE TAX ON PURCHASE, REGISTRATION OF PRIVATE MOTOR VEHICLE U/S 231B(2A) |             |
|-----------------------------------------------------------------------------|-------------|
| (If sold prior to registration by the person who originally purchased)      |             |
| Engine Capacity                                                             | Tax         |
| Up to 1000cc                                                                | Rs. 100,000 |
| 1001cc to 2000cc                                                            | Rs. 200,000 |
| 2001cc and above                                                            | Rs. 400,000 |

| ADVANCE TAX ON PURCHASE, REGISTRATION OF PRIVATE MOTOR VEHICLE U/S 231B(1)&(3) |                   |                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Engine Capacity                                                                | Tax               | Where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be 3% of the import value as increased by customs duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles. |
| Upto 850cc                                                                     | 0.5% of the Value |                                                                                                                                                                                                                                                                                                                                   |
| 851cc to 1000cc                                                                | 1% of the Value   |                                                                                                                                                                                                                                                                                                                                   |
| 1001cc to 1300cc                                                               | 1.5% of the Value |                                                                                                                                                                                                                                                                                                                                   |
| 1301cc to 1600cc                                                               | 2% of the Value   |                                                                                                                                                                                                                                                                                                                                   |
| 1601cc to 1800cc                                                               | 3% of the Value   |                                                                                                                                                                                                                                                                                                                                   |
| 1801cc to 2000cc                                                               | 5% of the Value   |                                                                                                                                                                                                                                                                                                                                   |
| 2001cc to 2500cc                                                               | 7% of the Value   |                                                                                                                                                                                                                                                                                                                                   |
| 2501cc to 3000cc                                                               | 9% of the value   |                                                                                                                                                                                                                                                                                                                                   |
| Above 3000cc                                                                   | 12% of the value  |                                                                                                                                                                                                                                                                                                                                   |

| ADVANCE TAX ON TRANSFER OF PRIVATE MOTOR VEHICLE U/S 231B(2) |            |                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Engine Capacity                                              | Tax        | Provided that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be Rupees twenty thousand; Provided further that the rate of tax to be collected under this clause shall be reduced by ten percent each year from the date of first registration in Pakistan. |
| Upto 850cc                                                   | 0          |                                                                                                                                                                                                                                                                                                                                                         |
| 851cc to 1000cc                                              | Rs. 5,000  |                                                                                                                                                                                                                                                                                                                                                         |
| 1001cc to 1300cc                                             | Rs. 7,500  |                                                                                                                                                                                                                                                                                                                                                         |
| 1301cc to 1600cc                                             | Rs. 12,500 |                                                                                                                                                                                                                                                                                                                                                         |
| 1601cc to 1800cc                                             | Rs. 18,750 |                                                                                                                                                                                                                                                                                                                                                         |
| 1801cc to 2000cc                                             | Rs. 25,000 |                                                                                                                                                                                                                                                                                                                                                         |
| 2001cc to 2500cc                                             | Rs. 37,500 |                                                                                                                                                                                                                                                                                                                                                         |
| 2501cc to 3000cc                                             | Rs. 50,000 |                                                                                                                                                                                                                                                                                                                                                         |
| Above 3000cc                                                 | Rs. 62,500 |                                                                                                                                                                                                                                                                                                                                                         |

|                                                                                                                                                                                                                                                      |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Where tax is required to be deducted or collected u/s 231B at above mentioned rates from persons not appearing in the active taxpayers' list, the tax required to be collected shall be increased by two hundred percent of the tax mentioned above. |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

**PROPOSED TAX RATE CARD**  
**Tax Year 2024-25**

|                                                                   |  |  |      | For client and staff use                                                                                                 |  |
|-------------------------------------------------------------------|--|--|------|--------------------------------------------------------------------------------------------------------------------------|--|
| Payments for Goods, Services & Contracts (Section 153)            |  |  | Rate | Imports u/s 148 (on import value as increased by custom duty, sales tax and FED)                                         |  |
| In case of goods                                                  |  |  |      | Persons importing goods classified in Part I of the Twelfth Schedule                                                     |  |
| - in case of company                                              |  |  | 5%   | Persons importing goods classified in Part II of the Twelfth Schedule                                                    |  |
| - in case of other cases                                          |  |  | 5.5% | Persons importing goods classified in Part II of the Twelfth Schedule in case of commercial importers                    |  |
| - gross amount of rice, cotton seed or edible oils                |  |  | 1.5% | Persons importing goods classified in Part III of the Twelfth Schedule                                                   |  |
| In case of services (Including toll Manufacturing)                |  |  |      | Persons importing goods classified in Part III of the Twelfth Schedule in case of commercial importers                   |  |
| - in case of company                                              |  |  | 9%   | Manufacturers covered under S.R.O 1125(I)/2011 dated December 31, 2011, importing goods covered under said S.R.O.        |  |
| - in case of other cases                                          |  |  | 11%  | Finished Pharmaceutical products, certified by DRAP                                                                      |  |
| - in case of specified services                                   |  |  | 4%   | CKD kits of electric vehicles for small cars or SUVs with 50 kwh battery or below and LCVs with 150 kwh battery or below |  |
| In case of contracts including contracts signed by sports persons |  |  |      |                                                                                                                          |  |
| - in case of company                                              |  |  | 7.5% |                                                                                                                          |  |
| - in case of other cases                                          |  |  | 8%   |                                                                                                                          |  |
| - in case of sports persons                                       |  |  | 10%  |                                                                                                                          |  |

| EXPORTS OF SERVICES U/S 154A                                                                                                            |       | Rate |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------|------|
| Type of Receipts for Tax Years 2024, 2025 & 2026                                                                                        |       |      |
| - Exports proceeds of computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board | 0.25% |      |
| - Any other Case                                                                                                                        | 1%    |      |

| Payments to non-residents u/s 152                                                                     |      | Rate |
|-------------------------------------------------------------------------------------------------------|------|------|
| - On execution of Contract, Sub-Contract for the design, Construction or supply of plant & equipment: |      |      |
| - Under any other power project                                                                       | 8%   |      |
| - Any other contract:                                                                                 | 8%   |      |
| - Payment for supplies of goods in case of company                                                    | 5%   |      |
| - Payment for supplies of goods other than a company                                                  | 5.5% |      |
| - Payment for services in case of company                                                             | 9%   |      |
| - Payment for services other than a company                                                           | 11%  |      |
| - Payment for advertisement services                                                                  | 10%  |      |
| - Payment for insurance premium or re-insurance premium                                               | 5%   |      |
| - Payment for specified services                                                                      | 4%   |      |

| Brokerage and Commission u/s 233                                                         |     | Rate |
|------------------------------------------------------------------------------------------|-----|------|
| - Advertising Agents                                                                     | 10% |      |
| - Life insurance agents where commission received is less than Rs. 0.5 million per annum | 8%  |      |
| - Other Cases                                                                            | 12% |      |

| Miscellaneous Sections                                                                                   |      | Rate |
|----------------------------------------------------------------------------------------------------------|------|------|
| - Prize on Prize Bond or a Cross-Word Puzzle u/s 156                                                     | 15%  |      |
| - Petroleum products u/s 156A                                                                            | 12%  |      |
| - On goods sold by auction and sale by auction of train management services by Pakistan                  | 10%  |      |
| - On immovable property sold by auction u/s 236A                                                         | 5%   |      |
| - Advance tax on sale to retailer u/s 236H on gross sales                                                | 0.5% |      |
| - Amount remitted abroad through credit, debit or prepaid cards u/s 236Y on gross amount remitted abroad | 5%   |      |

| ADVANCE TAX ON IMPORT OF MOBILE PHONE     |                  |                      |  |
|-------------------------------------------|------------------|----------------------|--|
| C&F Value of mobile phone (in US Dollars) | In CBU condition | In CKD/SKD condition |  |
| upto 30, except smart phones              | 70               | 0                    |  |
| from 31 to 100, smart phones upto 100     | 730              | 0                    |  |
| from 101 to 200                           | 930              | 0                    |  |
| from 201 to 350                           | 970              | 0                    |  |
| from 351 to 500                           | 5,000            | 3,000                |  |
| above 500                                 | 11,500           | 5,200                |  |

| Advance Tax on Purchase or Transfer of Immovable Property u/s 236K |                                                                                      |            |                                               |                |
|--------------------------------------------------------------------|--------------------------------------------------------------------------------------|------------|-----------------------------------------------|----------------|
| Sr. No                                                             | Fair Market Value of Immovable Property                                              | Rate (ATL) | Rate (On ATL but return filed after due date) | Rate (Non ATL) |
| 1                                                                  | Where the Fair Market Value does not exceed Rs 50 million                            | 3%         | 6%                                            | 12%            |
| 2                                                                  | Where the Fair Market Value exceeds Rs 50 million But does not exceed Rs 100 million | 3.5%       | 7%                                            | 16%            |
| 3                                                                  | Where the Fair Market Value exceeds Rs 100 million                                   | 4%         | 8%                                            | 20%            |

| RATES OF APPEAL FEE    |                    |             |                                |                    |              |
|------------------------|--------------------|-------------|--------------------------------|--------------------|--------------|
| Commissioner (Appeals) | Company            | Rs. 5,000/- | Income Tax Appellate Tribunal. | Company            | Rs. 20,000/- |
|                        | Other than company | Rs. 2,500/- |                                | Other than company | Rs. 5,000/-  |

|                                                                                                                                                                                                                                                                                                      |  |  |  |  |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|
| Where tax is required to be deducted or collected at any of the above mentioned rates from persons not appearing in the active taxpayers' list, the rate of tax required to be deducted or collected, as the case may be, shall be increased by hundred percent or more of the rate mentioned above. |  |  |  |  |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|

| Description |                                           | Tax                       |
|-------------|-------------------------------------------|---------------------------|
| 1.          | Foreign produced TV drama Serial or Play  | Rs. 1,000,000 per episode |
| 2.          | Foreign produced TV play (Single Episode) | Rs. 3,000,000             |
| 3.          | Advertisement starring foreign actor      | Rs. 100,000 per second    |

| WITHHOLDING TAX RATE ON DIVIDEND U/S 150 |                                                                                                   | Rate |
|------------------------------------------|---------------------------------------------------------------------------------------------------|------|
| Description                              |                                                                                                   |      |
| 1.                                       | Dividends paid by Independent Power Purchasers subject to fulfillment of certain conditions.      | 7.5% |
| 2.                                       | Other than above case                                                                             | 15%  |
| 3.                                       | Person receiving dividend from company where no tax is payable by company due to some conditions. | 25%  |
| 4.                                       | Dividend received from mutual funds deriving fifty percent or more income from profit on debt.    | 25%  |

| RATES OF ADVANCE TAX ON SALE OF SECURITIES (Section 37A)                                   |                                                                                |                                                         |
|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------|
| Holding Period                                                                             | Where securities acquired between 01/07/22 and 30/06/24 (Both dates inclusive) | Where securities acquired on or after 01/07/24          |
|                                                                                            |                                                                                |                                                         |
| 1. Where holding period is upto one                                                        | 15.0%                                                                          | 15% for persons appearing on the active taxpayers' list |
| 2. Where holding period is more than one but less than two years                           | 12.5%                                                                          |                                                         |
| 3. Where holding period is more than two but less than three years                         | 10.0%                                                                          |                                                         |
| 4. Where holding period is more than three but less than four years                        | 7.5%                                                                           |                                                         |
| 5. Where holding period is more than four but less than five years                         | 5.0%                                                                           |                                                         |
| 6. Where holding period is more than five but less than six years                          | 2.5%                                                                           |                                                         |
| 7. Where holding period is more than six years                                             | 0.0%                                                                           |                                                         |
| 8. Future commodities contracts entered into by the member of Pakistan Mercantile Exchange | 5.0%                                                                           | 5.0%                                                    |

| TAX AT TIME OF COLLECTION OF ADVANCE TAX ON MOTOR VEHICLE U/S 234 |            |
|-------------------------------------------------------------------|------------|
| Engine Capacity                                                   | Tax        |
| Upto 1000cc                                                       | Rs. 800    |
| 1001cc to 1199cc                                                  | Rs. 1,500  |
| 1200cc to 1299cc                                                  | Rs. 1,750  |
| 1300cc to 1499cc                                                  | Rs. 2,500  |
| 1500cc to 1599cc                                                  | Rs. 3,750  |
| 1600cc to 1999cc                                                  | Rs. 4,500  |
| 2000cc & above                                                    | Rs. 10,000 |

| ADVANCE TAX ON CASH WITHDRAWAL U/S 231AB FOR IN-ACTIVE TAX PAYER |      |      |
|------------------------------------------------------------------|------|------|
| On Cash Withdrawal above Rs.50,000 in a single day               | Rate | 0.6% |

| Advance Tax on Sale or Transfer of Immovable Property u/s 236C |                                                                                                  |            |                                               |                |
|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------|------------|-----------------------------------------------|----------------|
| Sr. No                                                         | Gross Amount of Consideration Received                                                           | Rate (ATL) | Rate (On ATL but return filed after due date) | Rate (Non ATL) |
| 1                                                              | Where the gross amount of consideration does not exceed Rs 50 million                            | 3%         | 6%                                            | 10%            |
| 2                                                              | Where the gross amount of consideration exceeds Rs 50 million But does not exceed Rs 100 million | 3.5%       | 7%                                            | 10%            |
| 3                                                              | Where the gross amount of consideration exceeds Rs 100 million                                   | 4%         | 8%                                            | 10%            |

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