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COMMENTARY ON FINANCE ACT 2024-25



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Table of Content

OVERVIEW TO THE FINANCE ACT 2024 01

ECONOMIC OUTLOOK 03

INCOME TAX 06

SALES TAX 27

FEDERAL EXCISE DUTY 49

CONTACT US 55



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OVERVIEW TO THE FINANCE ACT 2024



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OVERVIEW TO THE FINANCE ACT 2024-25

The Finance Bill, 2024 **[the Bill]** was presented in the National Assembly by the Finance Minister of Pakistan on 12 June 2024. The Finance Bill did not introduce any significant policy measure; instead, the primary focus remained on taxing the already burdened sectors and classes of the economy. No serious proposals were introduced to reduce the tax gap attributable to undocumented sectors. After debate in the Parliament, the President of Pakistan under Article 75 of the Constitution of Pakistan gave his assent to the Finance Bill 2024, and it has become Finance Act 2024. After approval, it is now applicable from July 1, 2024.

The Act comprises a range of revenue measures. It's worth noting that these measures primarily affect current taxpayers who are already subjected to the highest tax rates in the region. Although the short-term solutions aim to tackle the revenue shortfall, they overlook the potential adverse effects on economic growth. Furthermore, there is a notable absence of substantial tax relief measures for the salaried class and lower-income groups.

We have presented the Commentary on Finance Act 2024, for our readers regarding the significant changes that have been made under the Income Tax Ordinance, 2001 **[the Ordinance]**, Sales Tax Act, 1990 **[the Act]** and the Federal Excise Duty Act, 2005 **[the FED Act]** respectively based on our understanding of the tax laws. In case of specific application of the amendments, it is advised that context and situation should be analyzed beforehand before forming an opinion on the matter.

Best regards,

Hemani Basrawala & Co.

The background of the cover features a blue-toned image of a line graph on a grid, with a silver pen resting on it. A semi-transparent dark blue rectangle is centered over the graph, containing the title 'ECONOMIC OUTLOOK' in white. Below the title, the years '16 17 18 19 20' are visible on the graph's x-axis.

ECONOMIC OUTLOOK

ECONOMIC OUTLOOK

With the political dust settling the incumbent government is now focused on the daunting task at hand of managing the economic and financial chaos. The government has been supported by one of the strongest Agriculture outputs in decades. With an 18-year high growth rate of 6.25%, agriculture now contributes slightly less than 25% of GDP. Due to bumper crops of wheat and rice, local production has increased by more than 10%, reaching a record of 31.4 million tons and 9.9 million tons, respectively.

It is worth mentioning that the Headwinds in terms of higher commodity prices and inflation super cycle seems to have cooled down. International Oil prices have softened giving room to the government and business on the input side while the non- oil commodity prices have maintained their ground / inched up.

The industrial sector and the LSM have been the problem child during this period and have been slow to join the recovery band wagon. With a softening monetary policy stance on the back of lower inflation levels, credit conditions are expected to follow suit, thus making business conditions easier. Industrial output has already started showing growth in Q4-FY24 and is expected to support the economy as agriculture prices enter a stabilization phase in the latter half of FY25.

Resultantly we have seen a moderate real GDP growth at 2.38% in FY24 vs a contraction of 0.2% in FY23. While this is lower than the long-term average growth of 4.7% and the last five-year average of 2.6% but above projections made in the early half of the FY year.

Reduction in the current account deficit has helped improve FX reserves to around US\$9 billion despite large debt repayments and weak official inflows. The latter half of FY24 started on a positive note and has posted current account surplus for 3 out of 4 months which has narrowed the FY24 deficit to only \$202 million. Worker's remittance, Rice exports and value-added Textiles have delivered strongly supported by lower import related commodity prices and improved local agriculture output. As industrial output picks up, reserves and exchange parity may come under pressure due to increased demand for imported commodities. It is imperative that quick action is taken on alternate source of funding and mobilization of external financing either via privatization or international Bonds.

Fiscal discipline has generally been lacking within the political governments in Pakistan specially the coalition governments. No earth-shattering tax base broadening steps have been taken in the current Finance Act 2024 and the enactments made also focuses on tweaking rates to capture a higher tax amount. Unless steps are taken to manage the energy sector leakage, restructure PSEs, privatize loss making entities and tax the untaxed agriculture sector, the economy will continue to limp towards stabilization.

Inflation has remained tamed and is widely expected that FY-24 number would be in the range of 24% with a sharper tapering in FY25 to below 14%. Real interest rate remains significantly positive, which is important to continue guiding inflation to the medium-term target of 5% – 7%. If the path continues to hold, we could potentially see interest rate drops of upto 6% to 7% during the FY25, most of it near the end of first half FY25.

The balance of payments and external accounts continue to be the economy's wild cards. The economic conditions appear to indicate that things are under control, and the IMF appears to be assisting the government in its economic endeavors. FY 24 close would see SBP reserves at slightly below the double-digit numbers. The last few months have seen improvements in the form of the backlog of dividend and profit repatriations being cleared and the lowering of the backlog of imports. Higher interest rates have attracted hot money within the system to capture yield arbitrage which may be short lived due to falling

local yields. It is imperative that the government moves quickly to privatize PSEs, especially the loss-making ones, and tap the international market with success to restore confidence towards FDI.

Overall, it is expected the economic growth will remain moderate in FY25, with a sharp dip in interest rate and minor uptick in USD/PKR parity. This assessment is based on the assumption of slight moderation in agriculture output, upside in Industrial Output, continuation of the ongoing stabilization policies, continued support from multilateral agencies and minimal upside in input side commodity prices.

INCOME TAX

Income Tax Amendments

1. Enhancement in the definition of the Board – Section 2(8).

The scope of the definition of the Board under section 2(8) of the Ordinance has been enhanced by specifying that the Member of the Federal Board of Revenue to whom powers of the Board have been delegated under section 8 of the Federal Board of Revenue Act, 2007.

2. Amendment in the definition of the Chief Commissioner – Section 2(11B).

The Finance Act 2024 has included the 'Chief Investigator' under the existing definition of Chief Commissioner.

3. Surcharge on Individuals and Association of persons – Section 4AB.

The Finance Act 2024 has inserted a new section 4AB as per which a surcharge shall be payable by every individual and association of persons at the rate of 10% of the income tax imposed under Division I of Part I of the First Schedule where the taxable income exceeds Rs. 10 million.

In case of salaried individuals, the same shall be deducted from the salary paid by the employer as withholding of tax under section 149 of the Ordinance.

4. Tax on builders and developers – Section 7F.

- The Finance Act 2024 has inserted a new section 7F for imposition of tax on builders and developers. This tax shall only apply in respect of income accruing from gross receipts from specified activities and shall not be applicable to income or incomes from any other source or under any head of income.

The tax shall be imposed as per following table:

S.No.	Business of	Taxable profit	Tax Rates
(a)	Construction and sale of residential, commercial or other buildings	10% of gross receipts	Rate specified in Division I or II of Part-I of the First Schedule
(b)	Development and sale of residential commercial or other plots	15% of gross receipts	
(c)	Activities as mentioned in (a) and (b) above	12% of gross receipts	

- If a taxpayer, while explaining the nature and source of the amount credited or the investment made, money or valuable article owned or the funds from which the expenditure was made, takes into account any source of income which is subject to tax under section 7F of the Ordinance, the taxpayer shall not be allowed to take credit of any sum as is in excess of taxable profit.
- Where taxable income under section 9 of the Ordinance is more than the taxable profit as specified in section 7F of this Ordinance, taxpayer shall be entitled to take credit of such taxable income subject to the payment of tax at the rate specified in Division I or II of Part-I of First Schedule.
- The provisions of section 7F shall not apply to a builder or developer established by an Act of the Parliament or a Provincial Assembly or by a Presidential Order and who is

engaged in activities for the benefit of its employees or otherwise including activities for the planning and development of and for providing and regulating housing and ancillary facilities in a specified or notified area.

5. Advance tax on purchase of shares in a company – Section 37(6).

The Finance (Supplementary) Act, 2023, dated 23 February 2023, had made certain insertions under section 37 of the Ordinance to charge advance tax on purchase of shares of a company excluding shares classified as securities which are taxable under section 37A of the Ordinance.

Accordingly, the person acquiring a capital asset, being shares of a company, is required deduct advance adjustable tax from the gross amount **paid** as consideration for the shares at the rate of 10% of the fair market value of the shares which shall be paid to the Commissioner by way of credit to the Federal Government within 15 days of the payment.

The Finance Act 2024 has enacted that the advance tax shall also be deducted on accrual basis, regardless of whether same has been paid or is payable. Moreover, the timings for such advance tax have also been enacted which shall be earlier of at the time of payment or at the time of registration of shares by the Securities and Exchange Commission of Pakistan or by the State Bank of Pakistan.

6. Carry forward of business losses of Pakistan International Airlines – Section 57(2C).

It has been enacted that in case of normal business loss sustained by Pakistan International Airlines Corporation Limited, relating to a tax year commencing on or after the 1st January, 2017 under the section 57(2) of the Ordinance, the same shall be carried forward for 10 tax years instead of normal restriction of 6 tax years. This shall be commenced from the end of the tax year to which it relates which further means the tax year when loss had arisen but could not be set off.

7. Tax credit for certain persons – Section 65F(1).

As per the existing provisions of section 65F(1) of the Ordinance, the income of the persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects is subject to 100% tax credit of any of the tax payable under the Ordinance.

The Finance Act 2024 has inserted an explanation under this sub-section whereby, the tax credit under this case shall only be available to the income derived from the operations of coal mining projects in Sindh supplying coal to power generation projects.

8. Principles of taxation of associations of persons – Section 92(1).

As per the provisions of section 92 of the Ordinance, if a member of association of person being an individual has received any share in his capacity of the member from that association of persons, then the income in the hands of the member shall be exempt from tax if due tax has been paid by the association of persons.

The Finance Act 2024 has inserted a proviso to create an exception for above, whereby, in case if the annual turnover of the association of persons is Rs. 300 million or above and the return has been filed without audited financial statements by a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961, or a firm of Cost and

Management Accountants as defined under the Cost and Management Accountants Act, 1966.

In that case, the income in the hands of the members would be subject to tax again and would not remain exempt. However, this could lead to economic double taxation and would resemble to the case of companies formed under Companies Act, 2017 when both the profits of the company and the dividend paid from after tax profit would be subject to tax.

9. Enhancement of scope of the Tenth Schedule – Section 100BA(1).

As per the provisions of section 100BA(1) of the Ordinance, in case if the person is not appearing in the Active Taxpayers' List, then the provisions of Tenth Schedule of the Ordinance would be applicable. However, as per the existing provisions, the Tenth Schedule would not be applicable to the exceptions given under the Tenth Schedule or to those who appear in the Active Taxpayers' List.

The Finance Act 2024 has enhanced the scope of this section to include those who file after the due specified under section 118, 119 or 214A of the Ordinance. If a person files after the due dated specified above, then such person can become an Active Taxpayer. However, despite being in the Active Taxpayer List, if the returns have not been filed within due dates specified then such person would be subject to the provisions of Tenth Schedule of the Ordinance in a manner as may be specified. Resultantly, those who on purpose file to avoid provision of the Tenth Schedule for instance on purchase or disposal of immovable property so that the extra tax rate is not charged would remain subject to that extra taxation.

10. Defining the 'business connection in Pakistan' of a non-resident person – Section 101(3A)(3B).

As per section 101(3) of the Ordinance, there are several cases when the business income of a non-resident person shall be Pakistan-source income. Amongst them one of the is when business income of a non-resident person which it is directly or indirectly attributable to any business connection in Pakistan.

The Finance Act 2024 has enacted sub-sections (3A) and (3B) under section 101 of the Ordinance to define the business connection. It includes "significant economic presence in Pakistan" of a non-resident. Whereas, the significant economic presence in Pakistan shall mean

- (a) transaction in respect of any goods, services or property carried out by a non-resident with any person in Pakistan including provision of download of data or software in Pakistan, if the aggregate of payments arising from such transaction or transactions during the tax year exceeds such amount as may be prescribed; and
- (b) systematic and continuous soliciting of business activities or engaging in interaction through digital means with such number of users in Pakistan as may be prescribed, irrespective of whether or not
 - i. the agreement for such transactions or activities is signed in Pakistan
 - ii. the non-resident has a residence or place of business in Pakistan; or
 - iii. the non-resident renders services in Pakistan:

However, only so much of income as is attributable to the transactions or activities referred to in (a) or (b) shall be deemed to accrue or arise from a business connection in Pakistan.

11. Transactions between associates – Section 108(6).

It has been enacted that in case any amount is claimed as deduction for the tax year or for any of the 2 preceding tax years on account of royalty paid or payable to an associate for the tax year 2024 and onwards, the Commissioner shall issue a notice to the taxpayer to furnish any explanation or evidence that no benefit has been conferred on the associate.

If no explanation is provided by the taxpayer the 25% of the total expense claimed in a tax year in respect of sales promotion, advertisement and publicity would be disallowed and allocated to the said associate. This shall be application for the tax year 2024 and onward which means that while filing the return of the tax year 2024 this will have to be accounted for accordingly.

12. Unexplained income or assets – Section 111(2A).

As per section 111(2)(ii) of the Ordinance, the amount pertaining to unexplained income, expenditure or asset as referred to section 111(1) of the Ordinance shall be included in the person's income chargeable to tax in the tax year immediately preceding the tax year in which the investment, money, valuable article or expenditure is discovered by the Commissioner and is situated or incurred outside Pakistan or concealed income is foreign-source.

The Finance Act 2024 has explained the term "year of discovery of foreign assets or expenditure or concealed income", which shall mean the year in which the Commissioner has issued a notice requiring the person to explain the nature and source of such foreign assets, expenditure or concealed income.

13. Restriction on foreign travel if return is not filed – Section 114B(2)(c).

As per the provisions of section 114B of the Ordinance, the FBR shall have the powers to issue income tax general order in respect of persons who are not appearing on active taxpayers' list but are liable to file return under the provisions of the Ordinance.

Now vide Finance Act 2024, it has been enacted that the scope of this section should be enhanced and the restriction on foreign travel from the country for a citizen of Pakistan, excluding persons holding National Identity Card for Overseas Pakistanis (NICOP), minors, students, persons proceeding abroad for Hajj or Umrah and such other classes of persons as notified by the FBR, shall be applied. This again would be the violation of the fundamental rights of a citizen of Pakistan under the Constitution and could be subject to litigations in future.

14. Clarification for assets under Wealth Statement – Section 116(1).

It has remained a long question of argument whether the assets specified under section 116 of the Ordinance, includes foreign assets or just the assets located in Pakistan. It has been enacted that assets referred to in wealth statement would include both local and foreign assets.

The Finance Act 2024 further clarified that assets of spouse shall only be included in the wealth statement of the person if the spouse is dependent.

15. Enhancement of scope for the issuance of best judgement order – Section 121(1).

- As per the provisions of section 121(1) of the Ordinance, whereby the cases have been specified in which the best judgment order can be passed. The Finance Act 2024 has enacted to add one more condition under which if a person fails to file a return against a notice issued to him by the Commissioner for the discontinuation of business under section 117 of the Ordinance, then also best judgement assessment order can be passed.
- The Finance Act 2024 has further enacted that for the purposes of making a best judgment assessment, the Commissioner may determine taxable income on the basis of sectoral benchmark ratios prescribed by the Board. The explanation for this has also been inserted which means standard business sector ratios notified by the Board on the basis of comparative cases and includes financial ratios, production ratios, gross profit ratio, net profit ratio, recovery ratio, wastage ratio and such other ratios in respect of such sectors as may be prescribed.

16. Reduction of scope in case of revision by Commissioner – Section 122A(1).

As per the Tax Laws (Amendment) Act 2024, the amendment under section 122A of the Ordinance was made by virtue of which it was specified that the Commissioner may suomoto call for the record of any proceeding under this Ordinance or under the repealed Ordinance in which an order has been passed by any Officer of Inland Revenue other than the Commissioner (Appeals) if the value of the assessment or, as the case may be, refund of the tax does not exceed Rs. 20 million.

The Finance Act 2024 now restores the section 122A where it was prior to the Tax Laws (Amendment) Act 2024, which means that the order of the Commissioner (Appeals) cannot be revised by the Commissioner regardless of the limit.

17. Pecuniary jurisdiction in appeals – Section 126A.

The Tax Laws (Amendment) Act 2024 had introduced a section namely, Pecuniary jurisdiction in appeals as section 126A of the Ordinance. The said section specifies the limit when an appeal case can be filed with Commissioner (Appeals) or Appellate Tribunal Inland Revenue and the subsequent appeals.

The Finance Act 2024 has added an explanation regarding value of assessment of tax. This means the net increase in tax liability of a person as a result of order sought to be assailed. For the cases pending before the Commissioner (Appeals) having the value of assessment of tax or, as the case may be, refund of tax exceeding Rs. 20 million shall on and from the 16th June, 2024 stand transferred to the Appellate Tribunal Inland Revenue. It has now been

enacted that the applicability shall be on or before 31st December 2024 instead of 16th June 2024, however, it shall be deemed to have taken effect from 16th June 2024.

Moreover, it has been specified that all the cases transferred from the Commissioner (Appeals) to the Appellate Tribunal under sub-section (4) shall be decided by the Appellate Tribunal within the period provided for under section 132 which period shall commence from the date of transfer instead of 16th June 2024.

18. Appeal to the Commissioner (Appeals) – Section 127(1).

In order to bring consistency in the provisions of section 126A and section 127 of the Ordinance, it has been enacted that the appeal under section 127 of the Ordinance shall be subject to the provisions of the section 126A of the Ordinance.

19. Appeal to the Appellate Tribunal – Section 131(1).

After the enactment of the Tax Laws (Amendment) Act 2024, as mentioned in the preceding paragraphs, section 126A was inserted specifying the monetary limits for making an appeal. In order to bring the consistency with that section, it has been enacted that the appeal against the Commissioner (Appeals) shall not lie with the Appellate Tribunal Inland Revenue.

20. Reference to High Court – Section 133.

The Finance Act 2024 has made the following changes under section 133 of the Ordinance:

- In order to bring consistency in the provisions of section 126A and section 133 of the Ordinance, it has been enacted that the appeal under section 133 of the Ordinance shall be subject to the provisions of the section 126A of the Ordinance. Moreover, in accordance with the section 126A of the Ordinance as the appeal against the order of Commissioner (Appeals) can be made in High Court so this amendment has been made respectively under section 133 wherever needed.
- An explanation has been inserted mentioning that reference against order of the Commissioner (Appeals), communicated after the date of commencement of the Tax Laws (Amendment) Act, 2024, shall lie before the High Court notwithstanding the proceedings pending prior to the date of commencement of the said Act.
- It has been clarified that payment of appeal fee of Rs. 50,000 is applicable on the aggrieved person other than the Commissioner who in certain circumstances be the applicant of the case.

21. Advance tax paid by the taxpayer – Section 147(4)(6).

The Finance Act 2024 enacts 2 amendments under section 147 of the Ordinance, which are being stated as under:

- As per the provisions of section 147(4), Where the taxpayer is an association of persons or a company, the amount of advance tax due for a first quarter shall be computed according to the specified formula. As per the formula if the taxpayer fails to provide turnover or the turnover for the quarter is not known, it shall be taken to be one-fourth of 110% of the turnover of the latest tax year for which a return has been filed.

It has now been enacted to enhance this limit of 110% to 120% respectively.

- It has also been enacted to add sub-section (6B) under section 147 of the Ordinance. The Act aims to reintroduce a like proviso for rejection of an estimate which used to exist under section 147(6) of the Ordinance, and was subsequently omitted by Finance Act, 2021.

In this case, where an estimate of the amount of tax payable has been filed by the taxpayer under 147(6) or 147(6A), as the case may be, the estimate shall contain turnover for the completed quarters of the relevant tax year, estimated turnover for the remaining quarters, supporting evidence of expenses or deductions in computing income, evidence of tax payments and tax credits and computation of estimated taxable income.

However, if the Commissioner is not satisfied with the documentary evidence provided or where an estimate of the amount of tax payable is not accompanied by details mentioned, the Commissioner may reject the estimate and the taxpayer shall pay advance tax according to the formula set out in section 147(4) or section 147(4B) of the Ordinance, as the case may be.

- The Finance Act 2024 has also added a new sub-section (6C) under section 147 of the Ordinance according to which the persons specified as exporter of goods under section 154(1), 154(3), 154(3A), 154(3B) and 154(3C) of the Ordinance, shall at the time of realization of foreign exchange proceeds, or realization of the proceeds on account of sale of goods, or export of goods, or at the time of making payment to an indirect exporter, or clearing of goods exported, respectively, deduct or collect, as the case may be, advance income tax under section 147 at the rate of 1% of such foreign exchange proceeds, or export proceeds, or exports, or payment, in addition to tax collectable or deductible under section 154 of the Ordinance.

22. Advance tax at import stage – Section 148(6A).

The Finance Act 2024 has enacted to give the valuation powers to the FBR, through notification in the official Gazette for determining the minimum value of goods for the purpose of collection of advance tax which means this would be an exception to earlier mentioned section 148(6) whereby, it mentions that the provisions of the Customs Act, 1969, in so far as relevant, shall apply to the collection of tax under section 148.

The related amendments have also been enacted in the definition of value of goods under section 148(9) of the Ordinance.

23. Payments to Permanent Establishment of non-residents – Section 152(4A).

As per the provisions of section 152(4A) of the Ordinance, if a person is receiving a payment to a Permanent Establishment of a non-resident person on account of construction contracts, advertisement, supply of goods, rendering of services or execution of contracts under section 152(1A) or 152(2A) of the Ordinance, the person shall apply to the Commissioner, in case if tax is not minimum tax to make payment without deduction of tax or deduction of tax at reduced rate.

The Finance Act 2024 enacts that the approval for the payment shall now be granted by the Commissioner after deduction of tax at reduced rate but such reduction shall not exceed 80% of the rate specified in the said Division.

24. Payments for goods, services and contracts – Section 153(4).

As mentioned in the last paragraph, the similar enactment has been made for recipient of payment being a resident person under section 153(4) of the Ordinance whereby, the Commissioner shall grant the approval where tax deductible is not minimum, by an order in writing, any person to make the payment after deduction of tax at reduced rate but such reduction shall not exceed 80% of the rate specified in the said Division.

25. Deduction of tax on export proceeds – Section 154(1)(4).

A major shift in the taxation of the exporters has been made according to which the proceeds which were earlier treated as Final tax would now be considered as minimum. This means that exporters will have to discharge the tax liability based on the higher of the standard tax rate, minimum tax or alternative corporate tax (if applicable). The amount which would be deducted on proceeds would be considered as advance tax.

Moreover, as referred above, advance tax of 1% under section 147(6C) of the Ordinance shall also be payable by the exporter of goods.

26. Offences and penalties – Section 182(1).

The following additional penalties have been enacted vide Finance Act 2024:

S.No.	Offences	Penalties	Section of the Ordinance to which offence has reference
1B	Where any person fails to furnish a return of income as required under section 117(3) within the time specified in the notice	Such person shall pay a penalty equal to higher of (a) 0.1% of the tax payable in respect of that tax year for each day of default; or (b) Rs. 1,000 per day of default: Provided that minimum penalty shall be Rs.10,000 in case of an individual and Rs.50,000 in all other cases.	117(3)
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 21 days for each subsequent default	99B
10A	Any person who fails to comply with income tax general order issued by	Such person shall pay penalty of Rs. 50 million rupees for first	114B

S.No.	Offences	Penalties	Section of the Ordinance to which offence has reference
	the Board within fifteen days of issue of such order.	default and Rs. 100 million for each subsequent default. Provided that said penalty shall be imposed effective from	
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 – (a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer; (b) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or (c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed.	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)

27. Enhancement in the scope of prosecution for non-compliance with certain statutory obligations – Section 191(1).

The Finance Act 2024 has enhanced the scope of the prosecution and aims to consider failure to file return by the taxpayer after notice of discontinuation of business from the Commissioner under section 117(3) of the Ordinance.

28. Prosecution for failure to furnish information in return of income – Section 191A.

The Finance Act 2024 has inserted a new section for the purpose of prosecution for failure to furnish information in the return of income by any company including a banking company and an association of persons.

This shall be an offence punishable on conviction with a fine or imprisonment for a term not exceeding 1 year or both.

29. Prosecution for non-registration – Section 191B.

It has been enacted vide Finance Act 2024, that any person not abiding by the special procedure for small traders and shopkeepers specified in section 99B of the Ordinance, 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 6 months or fine or both.

30. Default surcharge – Section 205.

The Finance Act 2024 has made amendment in existing rate of default surcharge of 12% and replace it with higher of 12% per annum or KIBOR+3% per annum respectively.

31. Disclosure of information by a public servant. – Section 216(3).

It has been enacted that the disclosure of information by a public servant can be made to National Database and Registration Authority to process and analyze such data for the purposes of broadening of tax base.

32. Tax Fraud Investigation Wing Inland Revenue – Section 230K.

A new section has been inserted as section 230K for the establishment of Tax Fraud Investigation Wing Inland Revenue. The functions of the Tax Fraud Investigation Wing Inland Revenue shall be to detect, analyze, investigate, combat and prevent tax evasion and fraud.

33. Advance Tax on sale or transfer of immovable Property – Section 236C.

The Finance Act 2024 has enhanced the scope of exceptions to section 236C of the Ordinance.

Now the provisions of section 236C shall also not be applicable to a war wounded person while in service of Pakistan Armed Forces or Federal or Provincial Government or an ex-serviceman and serving personnel of armed forces or ex-employees or serving personnel of Federal and Provincial Government.

34. Enhancement of scope of Advance tax on sales to distributors, dealers and wholesalers – Section 236G.

As per the existing provisions of section 236G of the Ordinance, every manufacturer or commercial importer of pharmaceuticals, poultry and animal feed, edible oil and ghee, auto-parts, tyres, varnishes, chemicals, cosmetics, IT equipment, electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, at the time of sale to distributors, dealers and wholesalers, shall collect advance tax at the rate specified from the aforesaid person to whom such sales have been made.

It has now been enacted that every manufacturer or commercial importer at the time of sale to distributors, dealers and wholesalers, shall collect advance tax at the rate specified from the aforesaid person to whom such sales have been made regardless of the sector to which it pertains.

35. Advance tax on sales to retailers – Section 236H(1).

As per the existing provisions of section 236H of the Ordinance, every manufacturer, distributor, dealer, wholesaler or commercial importer of 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, at the time of sale to retailers and every distributor or dealer to another wholesaler in respect of the said sectors, shall collect advance tax at the rate specified, from the aforesaid person to whom such sales have been made.

It has now been enacted that every manufacturer, distributor, dealer, wholesaler or commercial importer at the time of sale to retailers and every distributor or dealer to another wholesaler in respect of the said sectors, shall collect advance tax at the rate specified, from the aforesaid person to whom such sales have been made regardless of the sector to which it pertains.

36. Savings – Section 239(18).

The Finance Act 2024 has provided savings to the period of limitation specified under section 131(2)(d) of the Ordinance of making an appeal to Appellate Tribunal Inland Revenue for 60 days of the date of service of order of Commissioner (Appeals) and under section 133(1) of the Ordinance of making an appeal to the High Court in 90 days of the communication of the order of Appellate Tribunal Inland Revenue.

It has been enacted that it 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.

37. Amendments in First Schedule.

The following amendments have been made vide Finance Act 2024:

A. Division I, Part I – Salaried / Non-Salaried Individual & Association of Persons

Table I – Non-salaried Individual & Association of Persons		
S.No.	Taxable Income	Rate of Tax
(1)	(2)	(3)
1	Where taxable income does not exceed Rs. 600,000	0%
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	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 + 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 + 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 + 40% of the amount exceeding Rs. 3,200,000
6	Where taxable income exceeds Rs. 5,600,000	Rs. 1,610,000 + 45% of the amount exceeding Rs. 5,600,000

However, in the case of an association of persons that is a professional firm prohibited from incorporating by any law or the rules of the body regulating their profession, the 45% rate of tax mentioned against serial number 6 of the Table shall be 40%.

Table II – Salaried Individual		
S.No.	Taxable Income	Rate of Tax
(1)	(2)	(3)
1	Where taxable income does not exceed Rs. 600,000/	0%
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	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 + 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 + 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 + 30% of the amount exceeding Rs. 3,200,000
6	Where taxable income exceeds Rs. 4,100,000	Rs. 700,000 + 35% of the amount exceeding Rs. 4,100,000

B. Division III, Part I – Imposition of tax on dividend

It has been enacted vide Finance Act 2024 that the rate of tax imposed under section 5 on dividend received from a company shall be 25% on dividend received from mutual funds deriving 50% or more income from profit on debt instead of existing tax rate of 15%.

C. Division VII, Part I – Capital gain on disposal of securities

The Finance Act 2024 has substituted the existing tax rates for capital gain on disposal of securities under section 37A of the Ordinance with the following new table:

S.No.	Holding period	Rate of Tax on disposal of securities acquired between 1st July, 2022 and 30th June, 2024 (both dates inclusive)	Rate of Tax on disposal of securities acquired on or after 1st July, 2024
(1)	(2)	(3)	(4)
1	Where the holding period does not exceed 1 year	15%	15% for persons appearing on the Active Taxpayers' List on the date of acquisition and the date of disposal of securities and at the rate specified in Division I for individuals and association of persons and Division II for companies in respect of persons not appearing on the Active Taxpayers' List on the date of acquisition and date of disposal of securities:
2	Where the holding period exceeds 1 year but does not exceed 2 years	12.5%	
3	Where the holding period exceeds 2 years but does not exceed 3 years	10%	
4	Where the holding period exceeds 3 years but does not exceed 4 years	7.5%	
5	Where the holding period exceeds 4 years but does not exceed 5 years	5%	
6	Where the holding period exceeds 5 years but does not exceed 6 years	2.5%	
7	Where the holding period exceeds 6 years	0%	Provided that the rate of tax for individuals and association of persons not appearing on the Active Taxpayers' List, the rate of tax shall not be less than 15% in any case.
8	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	5%

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

(i) the rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or after the 1st July, 2013 but on or before the 30th June, 2022; and

(ii) the rate of 0% tax shall be charged on capital gain arising on disposal where the securities are acquired before the 1st July, 2013:

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

Provided also that a mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax at the rates as specified below, on redemption of securities as prescribed, namely:

Category	Rate
Individual and association of persons	15% for stock funds 15% for other funds
Company	15% for stock funds 25% for other funds

Provided also that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 15%:

Provided also that no capital gain shall be deducted, if the holding period of the security acquired on or before 30th June 2024 is more than 6 years.

Explanation. – For the removal of doubt, it is clarified that provisions of this proviso shall be applicable only in case of mutual fund or collective investment scheme or a REIT scheme.

D. Division VIII, Part I - Capital gain on disposal of Immovable property

The rate of tax to be paid in case of disposal of immovable property under 37(1A) of the Ordinance has been enacted to be as follows:

S.No.	Holding Period	Rate of Tax on properties acquired on or before 30th day of June, 2024			Rate of Tax on properties acquired on or after 1st day of July, 2024
		Open Plots	Constructed Property	Flats	
(1)	(2)	(3)	(4)	(5)	(6)
1	Where the holding period does not exceed 1 year	15%	15%	15%	15% for persons appearing on the Active Taxpayers' List on date of disposal of property and at the rates specified in Division I for individuals and association of persons and Division II for companies in respect of persons not appearing on the Active Taxpayers' List on the date of disposal of property: Provided that the rate of tax for individuals and association of persons not appearing on the Active Taxpayers' List on the date of disposal, the rate of
2	Where the holding period exceeds 1 year but does not exceed 2 years	12.5%	10%	7.5%	
3	Where the holding period exceeds 2 years but does not exceed 3 years	10%	7.5%	0	
4	Where the holding period exceeds 3 years but does not exceed 4 years	7.5%	5%	--	
5	Where the holding period exceeds 4 years but does not exceed 5 years	5%	0	--	
6	Where the holding period exceeds 5 years	2.5%	--	--	

S.No.	Holding Period	Rate of Tax on properties acquired on or before 30th day of June, 2024			Rate of Tax on properties acquired on or after 1st day of July, 2024
		Open Plots	Constructed Property	Flats	
(1)	(2)	(3)	(4)	(5)	(6)
	but does not exceed 6 years				tax shall not be less than 15% of the gain.
7	Where the holding period exceeds 6 years	0%	--	--	

E. Division I, Part III – Withholding of tax on dividends.

It has been enacted vide Finance Act 2024 that the rate of tax to be deducted under section 150 on dividend received from a company shall be 25% on dividend received from mutual funds deriving 50% or more income from profit on debt instead of existing tax rate of 15%.

F. Division III, Part III – Withholding of tax on supply of goods.

The Finance Act 2024 has made following changes in the rate of tax to be deducted from a payment referred to in section 153(1)(a) of the Ordinance:

S.No.	Case	Company	Other than company
		On the gross amount payable	
(i)	Toll Manufacturing	9%	11%
(ii)	Other than toll manufacturing	5%	5.5%

G. Division V, Part IV – Advance tax on Telephone users.

As per Division V, Part IV of the First Schedule of the Ordinance in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card where advance tax is collected at the rate of 15% of the amount of bill or sales price of internet pre-paid card or prepaid telephone card or sale of units through any electronic medium or whatever form.

It has been enacted vide Finance Act 2024, that in the case of persons mentioned in income tax general order issued under section 114B, the rate of collection of tax shall be 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.

H. Division VII, Part IV – Advance Tax on Purchase, Registration and Transfer of Motor Vehicles.

The Finance Act 2024 has substituted the existing tax rates as advance tax on purchase, registration and transfer of motor vehicles under section 231B(1)(3) of the Ordinance as under:

S.No.	Engine Capacity	Rate of Tax
(1)	(2)	(3)
1	Upto 850 cc	0.5% of the value
2	851cc to 1000cc	1% of the value
3	1001cc to 1300cc	1.5% of the value
4	1301cc to 1600cc	2% of the value
5	1601cc to 1800cc	3% of the value
6	1801cc to 2000cc	5% of the value
7	2001cc to 2500cc	7% of the value
8	2501cc to 3000cc	9% of the value
9	Above 3000cc	12% of the value

I. Division X, Part IV – Advance tax on sale or transfer of immovable property.

It has been enacted vide Finance Act 2024 that the advance tax on sale or transfer of immovable property under section 236C of the Ordinance shall be collected in accordance with the following table:

S.No.	Amount	Tax Rate
(1)	(2)	(3)
1	Where the gross amount of the consideration received does not exceed Rs. 50 million	3%
2	Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%
3	Where the gross amount of the consideration received exceeds Rs. 100 million	4%

J. Division XVIII, Part IV – Advance tax on purchase of immovable property.

It has been enacted vide Finance Act 2024 that the advance tax on purchase of immovable property under section 236K of the Ordinance shall be collected in accordance with the following table:

S.No.	Amount	Tax Rate
(1)	(2)	(3)
1	Where the fair market value does not exceed Rs. 50 million	3%
2	Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%
3	Where the fair market value exceeds Rs. 100 million	4%

38. Amendments in Second Schedule.

The following amendments have been enacted vide Finance Act 2024:

A. Part I

- A new clause (99B) has been inserted giving exemption to income of a Special Purpose Vehicle buying Diversified Payment Rights from the Authorized Dealer in Pakistan.
- It has been enacted to omit the exemption of income under clause (102A) relating to income of a person as represents a subsidy granted to him by the Federal Government for the purposes of implementation of any orders of the Federal Government in this behalf.
- As per clause (114B), the exemption shall apply to profit and gains accruing to persons mentioned in proviso to section 236C(1) in respect of first sale of immovable property acquired from or allotted by the Federal Government or Provincial Government or any authority duly certified by the official allotment authority, and the property acquired or allotted is in recognition of services rendered by the Shaheed or the person who dies in service. The Finance Act 2024 in order to align section 236C with this exemption specifies that instead of the words "Shaheed or the person who dies in service", the expression "person specified in the said proviso" shall be substituted.
- It has been enacted vide Finance Act 2024 to stretch the exemption of income under clause (145A) of any individual domiciled or company and association of persons resident in the Tribal Area forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution from 30th June 2024 to 30th June 2025.

B. Part II

It has been enacted that under clause (24A), the tax under section 153(1)(a) shall be withheld from distributors of cigarette at 2.5% of the gross amount of payment instead of existing tax rate of 1%.

C. Part IV

- The inapplicability of section 113 under clause (11A) shall now be applicable to persons qualifying for exemption under clause (126E) of Part I of First Schedule which relates to income derived by a zone enterprise as defined in the Special Economic Zones Act, 2012.
- A new clause (38AAA) has been inserted mentioning that the provisions of section 152 shall not apply to Special Purpose Vehicle referred to in clause 99E of Part I of this Schedule.
- It has been enacted that the inapplicability of the provisions of sections in Division III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax to individual domiciled or company and association of persons resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution shall be extended from 30th June 2024 to 30th June 2025 under clause (109A).
- The Finance Act 2024 has extended the period specified in clause (110) from 3 June 2024 to 30th June 2025. As per the said clause, the provisions of sections

Division III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax are not applicable to individual domiciled or company and association of person resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution.

39. Amendments in Seventh Schedule.

The following amendments have been enacted vide Finance Act 2024 in the Seventh Schedule of the Ordinance:

- In the light of the applicability of the IFRS 09, it has been enacted that 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. However, it has been further enacted 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.
- It has been enacted that the provisions or Expected Credit loss for Advances and off-balance sheet items or any other financial asset existing before or after the 1st January, 2024 under IFRS 09 shall not be allowed as an expense or deduction.
- As per the Rule 1(g), adjustment made in the annual accounts, on account of application of international accounting standards 39 and 40 shall be excluded in arriving at taxable income. However, it has now been enacted that the adjustment made in the annual accounts, on account of any applicable accounting standard or policy or any guidelines or instructions of State Bank of Pakistan shall be excluded in arriving at taxable income and not limited to international accounting standards 39 and 40.
- A new Rule (3A) has been inserted where any assets are transferred by an Authorized Dealer, as a consequence of a Diversified Payment Rights transaction, to a Special Purpose Vehicle, it shall be treated as a financing transaction irrespective of the method of accounting adopted by the Authorized Dealer.
- It has been enacted to add a new explanation in rule (7CA), specifying that the Super Tax under section 4C shall be applicable for the tax year 2023 and for all subsequent tax years.

40. Amendments in Tenth Schedule.

The following amendments have been enacted vide Finance Act 2024:

A. Rule 1 - Rate of deduction or collection of tax

- It has been enacted that the where tax is required to be deducted or collected under any provision of this Ordinance 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 100% of the rate specified in to this Ordinance as compared to the existing reference made to the First Schedule of the Ordinance.

- It has been enacted that the second proviso to the Rule 1 of the Tenth Schedule of the Ordinance shall be replaced with the following:

The tax required to be collected under section 236K shall be at the rates set out in the following table, in case of persons not appearing in the active taxpayers' list:

S.No.	Fair Market Value of Immovable Property	Tax Rate
(1)	(2)	(3)
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%

The tax required to be collected or deducted, shall be at the rates specified the following Table, in case of persons not appearing in the active taxpayers' list:

S.No.	Section	Description	Tax Rate
(1)	(2)	(3)	(4)
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%

B. Rule 1A - Rate of deduction or collection of tax from persons who are appearing on active taxpayers' list but have not filed return by the due date.

It has been enacted vide Finance Act 2024 to insert a new Rule 1A under the Tenth Schedule regarding rate of deduction or collection of tax from persons who are appearing on active taxpayers' list but have not filed return by the due date.

In this case, where tax is required to be collected in respect of persons appearing on the active taxpayers' list who have not filed the return by the due date specified in section 118 or by the due date as extended under section 119 or 214A, the rate of tax shall be:

- (a) as per rates set out in the following Table in case of tax to be collected under section 236C:

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

- (b) as per rates set out in the following Table in case of tax to be collected under section 236K:

S.No.	Gross Amount of Consideration Received	Tax Rate
(1)	(2)	(3)
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%

The provisions of the Rule 1A shall not apply to a person who has filed return by the due date specified in section 118 or by the due date as extended under section 119 or section 214A for all of the last 3 tax years preceding the tax year for which the return has not been filed by the due date specified in section 118 or by the due date as extended under section 119 or 214A of the Ordinance.

A. Rule 10 – Exceptions of the Tenth Schedule

It has been enacted that the provisions of the Tenth Schedule shall not apply additionally on tax collectible under section 37A of the Ordinance.

FEDERAL SALES TAX

Sales Tax Amendments

1. Definitions – Section 2

The Finance Act 2024, has made following amendments in section 2 of the Act which are being discussed as under:

- **Definition of “associates (associated persons)”**

The definition of associates (associated persons) has been harmonized by adding a definition under section 2 of the Act which shall have the meaning as defined under section 85 of the Income Tax Ordinance, 2001.

- **Definition of “Board”**

The existing definition of the Board has been substituted by a new definition as section 2(4) of the Act which shall have the meaning as defined under section 2(8) of the Income Tax Ordinance, 2001.

- **Definition of “Input tax”**

As per the existing definition of input tax, amongst other criterion, one criterion is provincial Sales Tax levied on services rendered or provided to the person. The Finance Act 2024 has specified that this shall exclude those services as specified by the Board through notification in the official Gazette subject to such conditions, restrictions and limitations as mentioned therein.

- **Definition of “licensed integrator”**

A new definition has been added which shall mean any person licensed by the FBR to provide an electronic invoicing system for integration of registered persons in the prescribed manner.

- **Definition of “Tax Fraud”**

The substitution of the existing definition of the tax fraud with a new definition has been made to enhance the scope. As per the revised definition:

Tax fraud means intentionally understating or underpaying the tax liability or overstating the entitlement to tax credit or tax refund in contravention of duties or obligations imposed under this Act by way of submission of false return, statements or false documents or withholding of correct information or documents to cause loss of tax and includes-

- (a) *suppression of sales or receipts that are chargeable to tax under this Act*
- (b) *false claim of input tax credit*
- (c) *making taxable supplies of goods without issuing any tax invoice, in violation of the provisions of this Act or the rules made thereunder*
- (d) *issuance of any tax invoice without supply of goods leading to an inadmissible claim of input tax credit or refund*

- (e) *evasion of tax by availing undue input tax credit or obtaining inadmissible refund by any means or methods other than that covered under clauses (a) to (d)*
- (f) *collection of any amount as tax but failing to deposit the same in the prescribed manner 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 of any material evidence or documents required to be maintained under this Act or the rules made thereunder through human or digital means*
- (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 or the rules made thereunder*
- (j) *making of taxable supplies without getting registration under this Act; or*
- (k) *intentional doing of any act or causing to do an act or omitting to take any action or causing the omission to take any action to cause loss of tax under this Act.*

Explanation. *Any act or omission mentioned in this clause shall be treated as intentional 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.*

- **Definition of “Time of supply”**

The Finance Act 2024 has restored the earlier omitted definition vide Finance Act, 2021. As per the amendment made the time of supply in case of supply of goods other than under hire purchase agreement, it shall be the time at which the goods are delivered or made available to the recipient of the supply **or the time when any payment is received by the supplier in respect of that supply, whichever is earlier**. This means that now we will have to apply the earlier of rule as was the case before omission.

- **Definition of “Value of supply”**

As per the existing definition of value of supply, the FBR by the notification in the official Gazette has got the powers to fix the value of any imported goods or taxable supplies or class of supplies and for that purpose fix different values for different classes or description of same type of imported goods or supplies. The Finance Act 2024 aims to extend this power to those goods specified in the Third Schedule of the Act.

2. Assessment of Tax & Recovery of Tax not levied or short levied or erroneously refunded – Section 11E.

It has been enacted that the provisions pertaining to assessment of tax and recovery of tax not levied or short levied or erroneously refunded under section 11 of the Act shall be omitted.

At the same time a new insertion has been made on a similar subject under section 11E of the Act. As per this section the assessment order after providing an opportunity of being heard, can be passed where due to any reason any tax or charge has not been levied or short levied or where

the officer of Inland Revenue not below the rank of Assistant Commissioner suspects on the basis of audit or otherwise that due to any reason a person has:

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

3. Limitation for issuing orders in certain cases – Section 11B.

In order to bring harmonization amongst different laws, the new insertion as section 11B of the Act has been added under which the similar provisions as mentioned in section 124 of the Ordinance shall be applied.

4. Best Judgment Assessment – Section 11D.

A new section for the Best Judgment Assessment as section 11D of the Act, similar to that already available under section 121 of the Ordinance has been inserted. It has been enacted that in case of failure to file return or produce the required documents etc. the officer of Inland Revenue not below the rank of Assistant Commissioner shall pass the Best Judgement Assessment order after providing an opportunity of being heard.

Additionally, the section provides the officer with the discretion to disallow the input tax claimed on goods and services if the taxpayer is unable to produce documentary evidence to substantiate the claim.

5. Failure to withhold sales tax – Section 11F.

The Finance Act 2024 specifies that in case if the person fails to withhold sales tax or has withheld but fails to deposit same then the order against the said person can be made to recover the amount, default surcharge and penalty after providing an opportunity of being heard.

6. Limitation for Assessment – Section 11G.

A new section as 11G of the Act specifying the time limitation for assessment has been inserted. The order under section 11D, 11E and 11F of the Act pertaining to Best Judgment Assessment, Assessment of Tax & Recovery of Tax not levied or short levied or erroneously refunded and Failure to withhold sales tax can be passed within 5 years, from the end of the financial year in which the relevant date falls.

It has been further enacted that the order shall be issued within 120 days of the issuance of show cause notice or an extended period of not more than 90 days on the reasons to be specified.

7. De-registration, blacklisting and suspension of registration – Section 21(4).

The Finance Act 2024 has inserted a new sub-section as section 21(6) of the Act whereby an order passed of blacklisting can be revisited by the Chief Commissioner on his own motion or on application made by a registered person. However, the order can only be passed after providing an opportunity of being heard. Prior to this enactment, such an order passed can be challenged to Appellate Tribunal Inland Revenue.

8. Tax Invoices – Section 23(3).

An enabling provision has been added pertaining to issuance of electronic invoices whereby a registered person making a taxable supply shall, subject to such conditions, restrictions and limitations as the FBR may, by notification in the official Gazette, specify.

9. Audit of sales tax affairs – Section 25.

The Finance Act 2024 has replaced existing section 25 of the Act, namely access to record, documents, etc., with a new section namely audit of sales tax affairs. It has been enacted that the Commissioner will have the authority to direct the Inland Revenue officer, not below the rank of Assistant Commissioner, to issue a written notice informing registered person about the audit of sales tax affairs.

It's important to note that the power to conduct an audit under section 25 of the Act is distinct from the authority granted to the Board under section 72B of the Act. Furthermore, the powers under section 72B of the Act, do not curtail the Commissioner's ability to carry out an audit under this section.

The officer of Inland Revenue not below the rank of Assistant Commissioner shall conduct an audit of the sales tax affairs to verify the correctness or otherwise of the declared tax liability, output tax shown, input tax claimed, tax paid, refund claimed, stocks consumed and available and to ascertain compliance or otherwise with the provisions of this Act and the rules made thereunder based on the record and evidence obtained and other documents maintained or furnished under this Act and the rules made thereunder or under any other law.

After the Completion of audit, the order will be passed under section 11E of the Act and the taxpayer will be required to deposit the amount evaded and impose default surcharge and penalties under the respective sections. However, the option of voluntary payment of tax short paid & default surcharge shall be available with the taxpayer, whereas, the penalty would depend upon the stage of that voluntary payment.

10. Returns – Section 26(2A).

As per the said insertion the officer of Inland Revenue may, by notice in writing, require any person who, in his opinion, is required to file a return for a tax period or tax periods but who has failed to do so, to furnish the return or returns within 15 days from the date of service of such notice or such longer or shorter period as may be specified in such notice or as the officer of Inland Revenue may allow.

Moreover, it has also been enacted that the notice specified above, shall only be issued within 15 years from the end of the financial year in which the return was to be filed, in cases of tax fraud and 5 years in all other cases.

11. Tax Fraud Investigation Wing Inland Revenue – Section 30AB.

A new section has been inserted as section 30AB for the establishment of Tax Fraud Investigation Wing Inland Revenue. The functions of the Tax Fraud Investigation Wing Inland Revenue shall be to detect, analyze, investigate, combat and prevent tax evasion and fraud.

12. Offences and penalties – Section 33.

The Finance Act 2024 has made certain amendments in section 33 of the Act. The text in **red** depicts the enacted amendments.

Offences	Penalties	Section of the Act to which offence has reference
11. Any person who, (a) submits a false or forged document to any officer of Inland revenue or (b) destroys, alters, mutilates or falsifies the records including a sales tax invoice; or (c) Knowingly or fraudulently makes false statement, false declaration, false representation, false personification, gives any false information or issues or uses a document which is forged or false.	Such person shall pay a penalty of Rs. 25,000 or 100% of the amount of tax evaded or sought to be evaded, whichever is higher. Without prejudice to the above, he shall also be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to 5 years if the tax evaded or sought to be evaded is less than Rs. 1 billion, and which may extend to 10 years if the tax evaded or sought to be evaded is Rs. 1 billion and above and fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded, or with both.	2(37) and General
12. Any person who denies or obstructs the access of an authorized officer to the business premises, registered office or to any other place where records are kept, or otherwise refuses access to the stocks, accounts or records or fails to present the same when required under section 25, 38, 38A or 40B.	Such person shall pay a penalty of Rs. 25,000 or 100% of the amount of tax involved, whichever is higher. Without prejudice to above, he shall also be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to 5 years, or with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded, or with both.	25, 38, 38A and 40B
13. Any person who commits, causes to commit or attempts to commit the tax fraud, or abets or connives in commissioning of tax fraud.	a) The person who commits, causes to commit or attempt to commit the tax fraud shall pay a penalty of Rs. 25,000 or 100% of the amount of tax evaded or sought to be evaded, whichever is higher.	2(37)

Offences	Penalties	Section of the Act to which offence has reference
	Without prejudice to the above, he shall also be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to 5 years if the tax evaded or sought to be evaded is upto Rs. 500 million and above, and which may extend to ten years if the tax evaded or sought to be evaded is Rs. 1 billion and above and fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded or with both. b) The person who abets or connives in commissioning of tax fraud shall be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to 5 years if the tax evaded or sought to be evaded is less than Rs. 1 billion, and which may extend to 10 years if the tax evaded or sought to be evaded is Rs. 1 billion and above, and with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded or with both.	
14. Where any person violates any embargo placed on removal of goods in connection with recovery of tax.	Such person shall pay a penalty of Rs. 25,000 or 10% of the amount of the tax involved, whichever is higher. Without prejudice to above, he shall also be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to 1 year, or with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded, or with both.	48
18. Where any officer of Inland Revenue authorized to act under this Act, acts or omits or attempts	Such officer of Inland Revenue shall be liable, upon conviction by a Special Judge, to imprisonment for a term which	General

Offences	Penalties	Section of the Act to which offence has reference
to act or omit in a manner causing loss to the sales tax revenue or otherwise abets or connives in any such act.	may extend to 3 years, or with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded , or with both.	
22. Any person who (a) knowingly and without lawful authority gains access to or attempts to gain access to the computerized system; or (b) unauthorizedly uses or discloses or publishes or otherwise disseminates information obtained from the computerized system; or (c) falsifies any record or Information stored in the Computerized system; or (d) knowingly or dishonestly damages or impairs the computerized system; or (e) knowingly or dishonestly damages or impairs any duplicate tape or disc or other medium on which any information obtained from the computerized system is kept or stored; or (f) unauthorizedly uses unique user identifier of any other registered user to authenticate a transmission of information to the computerized system; or (g) fails to comply with or Contravenes any of the Conditions prescribed for security of unique user identifier.	Such person shall pay a penalty of Rs. 25,000 or 100% of the amount of tax involved, whichever is higher. Without prejudice to above, he shall also be liable, upon conviction by the Special Judge, to imprisonment for a term which may extend to 1 year, or with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded, or with both.	50A
23. Any person who manufactures, possesses, transports, distributes, stores or sells goods or class of goods as specified by the Board under of section 40C(1) with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax	(i) Such specified goods shall be liable to outright confiscation as may be prescribed. Any person committing the offence shall pay a penalty of Rs. 25,000 or 100% of the amount of tax involved, whichever is higher. Without prejudice to above,	40C(2)

Offences	Penalties	Section of the Act to which offence has reference
stamps, banderoles, stickers, labels or barcodes	he shall also be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to 3 years, or with an additional fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded, or with both. (ii) In case of transport of specified goods with counterfeited tax stamps, banderoles, stickers, labels or barcodes, or without tax stamps, banderoles, stickers, labels or barcodes, permanent seizure of the vehicle used for transportation of non-conforming or counterfeit specified goods; and (iii) In case of repeat sale of specified goods without or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the premises used for such sale shall be liable to be sealed by an officer of Inland Revenue in the manner as may be prescribed.	
24. Any person, who is integrated for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number or barcode or QR code or bears duplicate invoice number or counterfeit barcode, or QR code or defaces the prescribed invoice number of barcode or QR code or any person who abets commissioning of such offence.	Such person shall pay a penalty of Rs. 500,000 or 200% of the amount of tax involved, whichever is higher. Without prejudice to above, he shall also be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to 2 years, or with additional fine which may extend to Rs. 2 million, or with both. Notwithstanding above, the business premises of such person shall be liable to be sealed by an officer of Inland Revenue in the manner prescribed. Any person who abets	section 3(9A) and section 40C

Offences	Penalties	Section of the Act to which offence has reference
	commissioning of such offence, shall be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to 1 year, or with additional fine which may extend.	
25. Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required under law.	Such person shall be liable to pay a penalty up to Rs. 1 million, and if continues to commit the same offence after a period of 2 months after imposition of penalty as aforesaid, his business premises shall be liable to be sealed by an officer of Inland Revenue in the manner as may be prescribed.	section 40C
25A. A person required to integrate his business as stipulated under section 3(9A) or section 40C(4) , who fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required under the law and rules made thereunder.	Such person shall be liable to pay: (i) penalty of Rs. 500,000 for first default; (ii) penalty of Rs. 1 million for second default after 15 days of order for first default; (iii) penalty of Rs. 2 million for third default after 15 days of order for second default; (iv) penalty of Rs. 3 million for fourth default after fifteen days of order for third default. Notwithstanding above, the business premises of such person shall be liable to be sealed by an officer of Inland Revenue in the manner prescribed. Provided that if the retailer integrates his business with the Board's Computerized System before imposition of penalty for second default, penalty for first default shall be waived by the Commissioner.	Sub-section (9A) of section 3 or section 40C(4)
25AA. Any licensed integrator who is authorized to provide	Such person shall be liable to pay penalty of Rs. 1	section 40C(5)

Offences	Penalties	Section of the Act to which offence has reference
electronic invoicing system for integration of registered persons fails to integrate such registered persons in the manner as required under this Act and rules made thereunder.	million or 1% of the total value of the sales suppressed, whichever is higher.	
26. Any person, being a manufacturer or importer of an item which is subject to tax on the basis of retail price, who fails to print the retail price in the manner as stipulated under the Act.	Such person shall pay a penalty of Rs. 10,000 or 5% of the amount of tax involved, whichever is higher. Further, such goods shall also be liable to confiscation as may be prescribed . However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than 20% of the total retail price of such goods.	section 2(27) and section 3(2)(a).
27. Any person, being owner of the goods, which are brought to Pakistan in violation of section 40D.	Such person shall pay a penalty of Rs. 10,000 or 5% of the amount of tax involved, whichever is higher: Further, such goods shall also be liable to confiscation as may be prescribed . However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than 20% of value, or retail price in case of items falling in Third Schedule, of such goods.	section 40D.

13. Default surcharge – Section 34.

The Finance Act 2024 has amended the existing rate of default surcharge of 12% and has replaced it with higher of 12% per annum or KIBOR+3% per annum respectively.

14. Power to arrest and prosecute – Section 37A(4).

The Finance Act 2024 has amended section 37A(4) of the Act mentioning that where any person has committed a tax fraud or any offence warranting prosecution under the Act, the Commissioner may, either before or after the institution of any proceedings for recovery of tax, compound the offence if such person pays the amount of tax evaded or sought to be evaded along with default surcharge and penalty as provided under the Act.

15. Monitoring or Tracking by Electronic or other means – Section 40C(4)(5)

The FBR had through multiple SROs issued the rules for electronic invoicing system, eligibility and the person who shall carryout the integration as licensed integrator. Now, through Finance Act 2024, it has been enacted that enabling provision for these matters shall be made part of the Act.

16. Pecuniary jurisdiction in appeals – Section 43A(4).

The Tax Laws (Amendment) Act 2024 had introduced a section namely, Pecuniary jurisdiction in appeals as section 43A of the Act. The said section specifies the limit when an appeal case can be filed with Commissioner (Appeals) or Appellate Tribunal Inland Revenue and the subsequent appeals.

The insertion further mentioned that for the cases pending before the Commissioner (Appeals) having the value of assessment of tax or, as the case may be, refund of tax exceeding Rs. 10 million shall on and from the 16th June, 2024 stand transferred to the Appellate Tribunal Inland Revenue. It has now been enacted that the applicability shall be from 31st December 2024 instead of 16th June 2024, however, it shall be deemed to have taken effect from 16th June 2024.

17. Appeals – Section 45B(1).

The Tax Laws (Amendment) Act 2024 had specified the threshold when the appeal can be filed with the Commissioner (Appeals). It specified that if the value of the assessment or, as the case may be, refund of the tax does not exceed Rs. 10 million in that case appeal can be filed with Commissioner (Appeals).

The Finance Act 2024 has enacted to make the word assessment as assessment of tax with all other provisions consistent as before.

18. Appeals to Appellate Tribunal – Section 46(1).

The Finance Act 2024 has enacted to exclude the order of blacklisting under section 21(2) of the Act from the orders which are appellable before Appellate Tribunal Inland Revenue.

19. Saving – Section 47AB.

The Finance Act 2024 has provided savings to the period of limitation specified under section 46(1)(c) of the Act of making an appeal to Appellate Tribunal Inland Revenue for 60 days of the receipt of such decision or order and under section 47(1) of the Act of making an appeal to the High Court in 90 days of the communication of the order of Appellate Tribunal Inland Revenue.

It has been enacted that it 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.

20. Certain transactions not admissible – Section 73(1).

As per the provisions of section 73(1) of the Act, in case if the payment of the amount for a transaction exceeding value of Rs. 50,000 excluding payment against a utility bill, shall be made by a crossed cheque drawn on a bank or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of the amount of the sales tax invoice in favour of the supplier from the business bank account of the buyer.

The Finance Act 2024 has added the words in aggregate to a single supplier in a tax period after Rs. 50,000 which means that now this limit of Rs. 50,000 is for all the transactions carried out in a tax period with a single supplier on aggregate basis.

21. Amendment in Third Schedule.

A new entry as entry 51 has been inserted of DAP under the Third Schedule of the Act. At present the same has been classified under the Eight Schedule of the Act and is being charged at the rate of 5% subject to the condition that no refund of excessive input tax, if any, shall be admissible.

22. Amendment in Fifth Schedule.

The Finance Act 2024 has made the following entries shall be omitted from the scope of the Fifth Schedule of the Act and would not be classified as zero-rated items:

S.No.	Description
12	The following goods and the raw materials, packing materials, sub-components, components, sub-assemblies and assemblies imported or purchased locally for the manufacture of the said goods, subject to the conditions, limitations and restrictions as prescribed by the Board: (xvii) Preparations suitable for infants, put up for retail sale 765[not exceeding rupees six hundred per two hundred grams (PCT Heading 1901.1000) (xx) Colors in sets (PCT heading 3213.1000). (xxi) Writing, drawing and marking inks (PCT heading. 3215.9010 and 3215.9090) (xxii) Erasers (PCT heading 4016.9210 and 4016.9290) (xxiv) Pencil sharpeners (PCT heading 8214.1000) (xxv) other drawing, marking out or mathematical calculating instruments (geometry box) (PCT heading 9017.2000) (xxvi) Pens, ball pens, markers and porous tipped pens (PCT heading 96.08) (xxvii) Pencils including color pencils (PCT heading 96.09)
16	Milk (PCT heading 04.01).
17	Fat filled milk (PCT heading 1901.9090)
21	Local supplies of commodities, raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions as specified therein.

23. Amendments in Sixth Schedule.

The Finance Act 2024 has made the following amendments shall be made in the Sixth Schedule of the Act which pertains to the exemption of the items:

Omission in Table-I		
S.No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969.
13	Edible vegetables imported from Afghanistan including roots and tubers, except ware potato and onions, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned.	0701.1000, 0702.0000, 0703.2000, 0703.9000 0704.1000, 0704.2000, 0704.9000, 0705.1100, 0705.1900, 0705.2100, 0705.2900, 0706.1000, 0706.9000, 0707.0000, 0708.1000, 0708.2000, 0708.9000, 0709.1000, 0709.2000, 0709.3000, 0709.4000, 0709.5100, 0709.6000, 0709.7000, 0709.9000, 0710.1000, 0710.2100, 0710.2200, 0710.2900, 0710.3000, 0710.4000, 0710.8000, 0710.9000, 0712.2000, 0712.3100, 0712.3200, 0712.3300, 0712.3900 and 0712.9000
15	Fruit imported from Afghanistan excluding apples PCT 0808.1000	0804.1010, 0804.1020, 0804.2000, 0804.3000, 0804.4000, 0804.5010, 0804.5020, 0804.5030, 0805.1000, 0805.2910, 0805.2100, 0805.2200, 0805.2990, 0805.4000, 0805.5000, 0805.9000, 0806.1000, 0806.2000, 0807.1100, 0807.1900, 0807.2000, 0808.3000, 0808.4000, 0809.1000, 0809.2000, 0809.3000, 0809.4000, 0810.1000, 0810.2000, 0810.4000,

Omission in Table-I

S.No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969.
		0810.5000, 0810.6000, 0810.9010, 0810.9090, 0811.1000, 0811.2000, 0811.9000, 0813.1000, 0813.2000, 0813.3000, 0813.4010, 0813.4020 and 0813.4090
86	Colors in sets (Poster colors)	3213.1000
87	Writing, drawing and making inks	3215.9010 and 3215.9090
88	Erasers	4016.9210 and 4016.9290
90	Pencil sharpeners	8214.1000
96	Other drawing, marking out or mathematical calculating instruments (geometry box)	9017.2000
97	Pens, ball pens, markers and porous tipped pens	96.08
98	Pencils including color pencils	96.09
120	Diagnostic kits or equipment, namely: 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, Glucose 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 blot test), I.C.T. (Immunochromatographic kit), CBC Reagent (For hematology analyzer), Complete blood count reagent.	Respective headings
169	Oil cake and other solid residues	2306.1000
170	Tractor	8701.9220 and 8701.9320
174	Machinery and equipment as listed at serial number 32 of the Table of Part-I of Fifth Schedule to the Customs Act, 1969,	Respective headings.

Omission in Table-I

S.No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969.
	subject to the conditions, limitations and restrictions specified thereunder.	

Amendment in Table-I

S.No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969.
151	(a) Supplies; and (b) imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas, as defined in the Constitution of Islamic Republic of Pakistan, – as made till 30th June, 2025, to which the provisions of the Act or the notifications issued thereunder, would have not applied had Article 247 of the Constitution not been omitted under the Constitution (Twenty-fifth Amendment) Act, 2018: Provided that, in case of imports, the same shall be allowed clearance by the Customs authorities on presentation of a pay order for the amount of sales tax payable under the Sales Tax Act, 1990, and the same shall be returned to the importer after presentation within six months of a consumption or installation certificate, as the case may be, in respect of goods imported as issued by the Commissioner Inland Revenue having jurisdiction: Provided further that if plant, machinery and equipment, on which exemption is availed under this serial number, is transferred or supplied outside the tribal areas, the tax exempted shall be paid at applicable rate on residual value	Respective heading
152	Supplies of electricity, as made from the day of assent to the Constitution (Twenty-fifth Amendment) Act, 2018, till 30th June, 2025 , to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas which were set and started their industrial production before 31st May, 2018, but excluding steel and ghee or cooking oil industries	2716.0000

Additions in Table-I		
S.No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969.
175	Import of all goods received, in the event of a natural disaster or other catastrophe, as gifts and relief consignments or any goods received as gift or donation from a foreign government or organization by the Federal or Provincial Governments or any public sector organization. Subject to the recommendations of the Minister Incharge and concurrence by the Federal Board of Revenue subject to condition that the concerned Ministry shall verify the genuineness of such cases and furnish an undertaking to the effect that donated goods shall not be sold, utilized or disposed of otherwise than for the purpose for which the same have been imported.	9908(i) and 9911.
176	POL products: (i) MS (Petrol) (ii) High Speed Diesel Oil (iii) Kerosene (iv) Light Diesel Oil	2710.1210, 2710.1931, 2710.1911 and 2710.1921
177	Supply of electricity to Azad Jammu and Kashmir	Respective headings
178	Import of gold under entrustment scheme under SRO 760(I)/2013	Respective headings
179	Import of cystagon, cysta drops and trientine capsules (for personal use only)	3004.9099
180	Bovine semen	0511.1000

Omissions in Table-II		
S.No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969.
7	vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers	Respective heading
21	Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal	2306.3000, 2306.4900 and respective headings

Additions in Table-II		
S.No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969.
56	Milk excluding: (i) that sold under a brand name; or (ii) supplied by corporate dairy farms	04.01

57	Iron and steel scrap excluding supplied by manufacturer-cum-exporter of recycled copper, authorized under Export Facilitation Scheme, 2021.	7204.4100 7204.3000 7204.4990.
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24. Amendments in Eighth Schedule.

The Finance Act 2024 has made the following amendments shall be made in the Eighth Schedule of the Act:

Omissions in Table-I				
S.No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969.	Rate of Sales Tax	Condition
58	LPG	2711.1910	10%	Imports thereof and local supplies of such imported LPG
66	Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales	Respective Headings	15%	if supplied goods are finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather subject to the condition that they have maintained 4% value addition during the last six months

Substitution in Table-I				
S.No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969.	Rate of Sales Tax	Condition
77	Imported personal computers and Laptop computers, notebooks whether or not incorporating multimedia kit	8471.3020 and 8471.3010	10%	

Amendment in Table-I				
S.No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969.	Rate of Sales Tax	Condition
73	Locally manufactured Hybrid electric vehicle till 30th June, 2026: (a) Upto 1800 cc (b) From 1801 cc to 2500 cc	87.03 87.03	8.5%. 12.75%	
81	Substances registered as drugs under the Drugs Act, 1976 and medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 except the following, even if medicated or medicinal in nature, namely:— (a) filled infusion solution bags imported with or without infusion given sets; (b) scrubs, detergents and washing preparations; (c) soft soap or no soap; (d) adhesive plaster; (e) surgical tapes; (f) liquid paraffin; (g) disinfectants, and (h) cosmetics and toilet preparations. This substitution shall be deemed to have been made from the 1st day of July, 2022.	Respective heading	1%	Subject to the conditions that: (i) Tax charged and deposited by the manufacturer or importer, as the case may be, shall be final discharge of tax in the supply chain (ii) No input tax shall be adjusted in the supply chain.

Additions in Table-I				
S.No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969.	Rate of Sales Tax	Condition
84	(i) Colors in sets	3213.1000	10%	
	(ii) Writing, drawing and marking inks	3215.9010 and 3215.9090		
	(iii) Erasers	4016.9210 and 4016.9290		
	(iv) Pencil sharpeners	8214.1000		
	(iv) other drawing, marking out or mathematical calculating instruments (geometry box)	9017.2000		
	(v) Pens, ball pens, markers and porous tipped pens	96.08		
	(vi) Pencils including color pencils	96.09		
85	Oil cake and other solid residue	2306.1000	10%	
86	Tractors	8701.9220 and 8701.9320	10%	
87	Local supply of vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers.	Respective headings	10%	
88	Local supply of poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal	2306.3000, 2306.4900 and respective headings	10%	Subject to the condition that refund of excess input tax, if any, shall not be admissible.

25. Amendments in Ninth Schedule.

The Finance Act 2024 has made following amendments in the Ninth Schedule of the Act:

Substitution in Table-II - Cellular mobile phones in CKD/CBU form
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S.No.	Description / Specification of Goods	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs)	Sales tax on import in CKD/ SKD condition	Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4)
(1)	(2)	(3)	(4)	(5)
1	Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category:			
	A. Not exceeding US\$ 500	18% ad valorem	18% ad valorem	18% ad valorem
	B. Exceeding US\$ 500	25% ad valorem	18% ad valorem	18% ad valorem

It has also been enacted that the liability, procedure and conditions shall be revised in the following manner:

(i) The liability to pay the tax on the goods specified in this Schedule shall be

- (a) in case of the goods specified in Table-I, of the Cellular Mobile Operator (CMO);
- (b) in case of goods specified in columns (3) and (4) of Table-II, of the importer; and
- (c) in case of goods specified in column (5) of Table-II, of the local manufacturers of the goods.

(ii) The time of payment of tax due under this Schedule shall be the same as specified in section 6.

26. Amendments in Eleventh Schedule.

It has been enacted that following amendments shall be made in the Eleventh Schedule of the Act:

Amendment in the Table			
S.No.	Withholding agent	Supplier category	Rate or extent of deduction
7	Registered persons manufacturing lead batteries	Persons supplying any kind of lead under chapter 78 (PCT Headings: 7801.1000, 7801.9100, 7801.9900, 7802.0000, 78.03, 7804.1100, 7804.1900, 7804.2000, 78.05, 7806.0010, 7806.0020,	75% 80% of the sales tax applicable

		7806.0090) or scrap batteries under chapter 85 (PCT Headings: 1007 [Respective headings])	
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Additions in the Table			
S.No.	Withholding agent	Supplier category	Rate or extent of deduction
9	Registered persons manufacturing cement	Persons supplying any kind of gypsum under chapter 25 (PCT headings 2520.1010, 2520.1020, 2521.0000) or limestone flux under chapter 25 (PCT headings 2520.1010, 2520.1020, 2521.0000)	80% of the sales tax applicable
10	Registered persons	Persons supplying any kind of coal under chapter 27 (PCT headings 2701.1100, 2701.1200, 2701.1900, 2701.2000, 2704.0010, 2704.0020, 2704.0090) or	80% of the sales tax applicable
11	Registered persons	Persons supplying any kind of waste of paper and paper board (Respective headings)	80% of the sales tax applicable
12	Registered persons	Persons supplying any kind of plastic waste (Respective headings)	80% of the sales tax applicable
13	Registered persons	Persons supplying crush stone and silica	80% of the sales tax applicable

It has also been enacted that the exception from withholding of tax at S.No.(viii) that relates to supplies made by an Active Taxpayer as defined in the Sales Tax Act, 1990 to another registered persons with exception of advertisement services shall be replaced by following:

Supplies made by an Active Taxpayer as defined in the Sales Tax Act, 1990 to another registered person with the exception of the following supplies referred to in S.No. 5, 7, 9, 10, 11, 12 and 13 of the Table.

- Person providing advertisement services.
- Persons supplying any kind of lead to registered persons manufacturing lead batteries.
- Persons supplying any kind of gypsum or limestone to registered persons manufacturing cement.
- Persons supplying any kind of coal to registered persons.
- Persons supplying any kind of waste of paper and paper board to registered persons.
- Persons supplying any kind of plastic waste to registered persons.
- Persons supplying crush stone and silica to registered persons.

FEDERAL EXCISE DUTY

FED Amendments

1. Definition of “Board” – Section 2(4)

The existing definition of the Board has been substituted by a new definition as section 2(4) of the FED Act which shall have the meaning as defined under section 2(8) of the Income Tax Ordinance, 2001.

2. Default surcharge – Section 8.

The Finance Act 2024 has amended the existing rate of default surcharge of 12% and has replaced it with higher of 12% per annum or KIBOR+3% per annum respectively.

3. Offences, penalties, fines and allied matters – Section 19

The Finance Act 2024 has made following amendments in section 19 of the FED Act:

- In Section 19(3) of the FED Act, a new case has been inserted as per which if a person who according to which if the value of the plant and machinery is Rs. 50 million and above, any person who installs such plant and machinery, commences production or removes such plant and machinery without prior permission of the Commissioner shall be guilty of an offence and for each such offence, shall be liable to fine which may extend to Rs. 50,000 or 5 times of the duty involved, whichever is higher and to punishment with imprisonment which may extend to 5 years or both.
- As per new insertion made under section 19 as sub-section 10A, if any retailer is found selling cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes, notwithstanding any other provision of the FED Act, the retail outlet of such person shall be liable to be sealed in the manner as may be prescribed.

4. Tax Fraud Investigation Wing Inland Revenue – Section 29A.

A new section has been inserted as section 29A of the FED Act for the establishment of Tax Fraud Investigation Wing Inland Revenue. The functions of the Tax Fraud Investigation Wing Inland Revenue shall be to detect, analyze, investigate, combat and prevent tax evasion and fraud.

5. Appeals to Commissioner (Appeals) – Section 33.

The Tax Laws (Amendment) Act 2024 had specified the threshold when the appeal can be filed with the Commissioner (Appeals). It specified that if the value of the assessment or, as the case may be, refund of the tax does not exceed Rs. 5 million in that case appeal can be filed with Commissioner (Appeals).

The Finance Act 2024 has enacted to make the word assessment as assessment of tax with all other provisions consistent as before.

6. Pecuniary jurisdiction in appeals – Section 33A(4).

The Tax Laws (Amendment) Act 2024 had introduced a section namely, Pecuniary jurisdiction in appeals as section 33A of the FED Act. The said section specifies the limit when an appeal case can be filed with Commissioner (Appeals) or Appellate Tribunal Inland Revenue and the subsequent appeals.

The insertion further mentioned that for the cases pending before the Commissioner (Appeals) having the value of assessment of tax or, as the case may be, refund of tax

exceeding Rs. 5 million shall on and from the 16th June, 2024 stand transferred to the Appellate Tribunal Inland Revenue. It has now been enacted that the applicability shall be from 31st December 2024 instead of 16th June 2024, however, it shall be deemed to have taken effect from 16th June 2024.

7. Saving – Section 34AB.

The Finance Act 2024 has provided savings to the period of limitation specified under section 34(1) of the FED Act of making an appeal to Appellate Tribunal Inland Revenue for 60 days of the receipt of such decision or order and under section 34A(1) of the FED Act of making an appeal to the High Court in 90 days of the communication of the order of Appellate Tribunal Inland Revenue.

It has been enacted that it 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.

8. Amendments in the First Schedule.

The Finance Act 2024 has made following changes in the First Schedule of the FED Act. The amendments have been specified as **red** in the following table:

Table I – Excisable Goods			
S.No.	Description of Goods	Heading/ sub-heading Number	Rate of Duty
7a.	Acetate tow	Respective heading	Rs. 44,000 per kg.
8a.	E-liquids by whatsoever name called, for electric cigarette kits.	Respective heading	Rs. 10,000 per kg or 65% of retail price whichever is higher
8d.	Nicotine pouches	Respective heading	Rs. 1,200 per kg.
9.	Locally produced cigarettes if their on-pack printed retail price exceeds Rs. 12,500 per thousand cigarettes.	24.02	Rs. 16,500 per thousand cigarettes
10.	Locally produced cigarettes if their on-pack printed retail price does not exceed Rs. 12,500 per thousand cigarettes	24.02	Rs. 5,050 per thousand cigarettes
13.	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers	25.23	Rs. 4 per kg.
56.	Filter rod for cigarettes	Respective headings	Rs. 80,000 per kg.
63.	Lubricating oil	2710.1951, 2710.1952 and 2710.1953	5% ad valorem

Apart from the changes made in the Table I, following amendments after the Table have also been made:

(2) Restriction-2 – Brand variants at different price points.– No manufacturer or importer of cigarette can introduce or sell a new cigarette brand variant at the same existing brand family at a price lower than the lowest actual price of the existing variant of the same brand family. For the purposes of this restriction, current minimum price variant of existing brand means the lowest price of a brand variant on the day of announcement of Budget of the current Financial year.

Explanation.– For the purpose of this restriction, brand variant means any cigarette brand with similar logo, name, colour, design, pattern or any unique distinguishing mark associated with an existing brand family.”;

(3) Restriction-3 – Minimum price. – No brand shall be priced and sold at a retail price (excluding sales tax) lower than **55%** of the retail price under column (2) against serial number 9 of Table-I of the First Schedule to this Act.

Table II – Excisable Services			
S.No.	Description of Services	Heading/ sub-heading Number	Rate of Duty
3	Facilities for travel	98.03	
	(a) Services provided or rendered in respect of travel by air of passengers within the territorial jurisdiction of Pakistan	9803.1000	
	(i) Long routes		Rs. 15,000
	(ii) Short routes		Rs. 9,000
	Explanation: For the purpose of this entry, “Long routes” means journeys exceeding 500 kilometers, short routes means the remaining journeys, other than socio-economic route as defined in S. No. 9 of Table II of the Third Schedule. Routes exempt from duty as on 1st July, 2014 shall, however, remain exempt.		
	(b) Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan,		
	(i) Economy and economy plus air tickets issued on or after the 1st July, 2024.		Rs. 12.500
	(ii) Club, business and first class air tickets issued on or after 1st July 2024:		
	(a) IATA Traffic Conference Area 1 (North, Central, South America and Environs)		Rs. 350,000

Table II – Excisable Services			
S.No.	Description of Services	Heading/ sub-heading Number	Rate of Duty
	(b) IATA Traffic Conference Area 2		Rs. 105,000
	(I) Middle East and Africa		Rs. 210,000
	(II) Europe		Rs. 210,000
	(c) IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands)		

Insertion of Table III – Excisable Items other than those mentioned under Table I & Table II			
S.No.	Description of items	Heading/sub-heading Number	Rate of Duty
1.	Allotment or transfer of commercial property and first allotment or first transfer of open plots or residential property by any developer or builder in such mode and manner and subject to such conditions and restrictions as may be prescribed by the Board	Respective headings	(i) 3% of gross amount of consideration involved where the buyer is appearing on active taxpayer list maintained under section 181A of the Income Tax Ordinance, 2001 on the date of acquisition of property; (ii) 5% of gross amount of consideration involved where the buyer has not filed the income tax return by due date as specified in proviso to Rule 1A of Tenth Schedule to the Income Tax Ordinance, 2001; and (iii) 7% of gross amount of consideration involved where the buyer is not appearing on active taxpayer list

Insertion of Table III – Excisable Items other than those mentioned under Table I & Table II			
S.No.	Description of items	Heading/sub-heading Number	Rate of Duty
			maintained under section 181A of the Income Tax Ordinance, 2001 on the date of acquisition of property.
2.	Supply of white crystalline sugar by any person to a manufacturing, processing or packaging entity	Respective heading	Rs. 15 per kg.

9. Amendment in the Third Schedule.

The Finance Act 2024 has added the following new entry in Third Schedule of the FED Act:

Table I - Goods		
S.No.	Description of goods	Heading/ sub-heading Number
23.	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.	99.01, 99.02 and 99.05



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