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Cost & Management Accountants

Finance Act 2024
HIGHLIGHTS & COMMENTS



Foreword

TAX BRIEFS FINANCE ACT 2024-25

This Tax Briefs precisely presents the important changes made through the Finance Act 2024-25 relating to the Income Tax, Sales Tax, Federal Excise Duty, Customs Duty and Other Laws. For considering the precise impact of a particular change, reference should be made to the specific wordings in the relevant statute.

The tax briefs are aimed at providing general guidance with the objective of keeping our clients and staff abreast of the changes in the aforementioned laws. The users are therefore advised to seek professional advice before exercising and applying any legal provision and acting thereupon. The Firm accepts no responsibility for any action taken (or not taken) as a result of the information contained in this document.

The tax briefs can also be accessed on our website www.ric-intl.com

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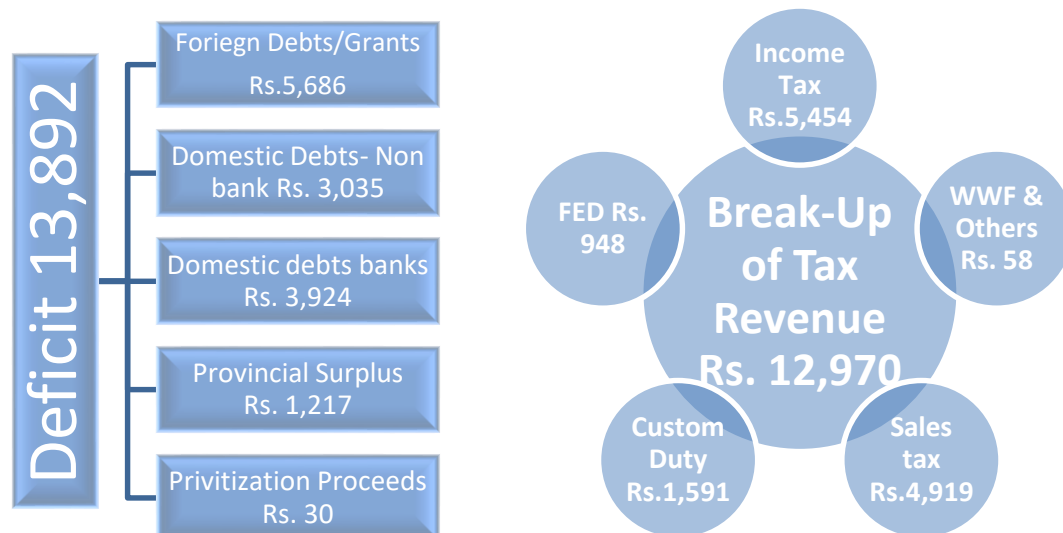
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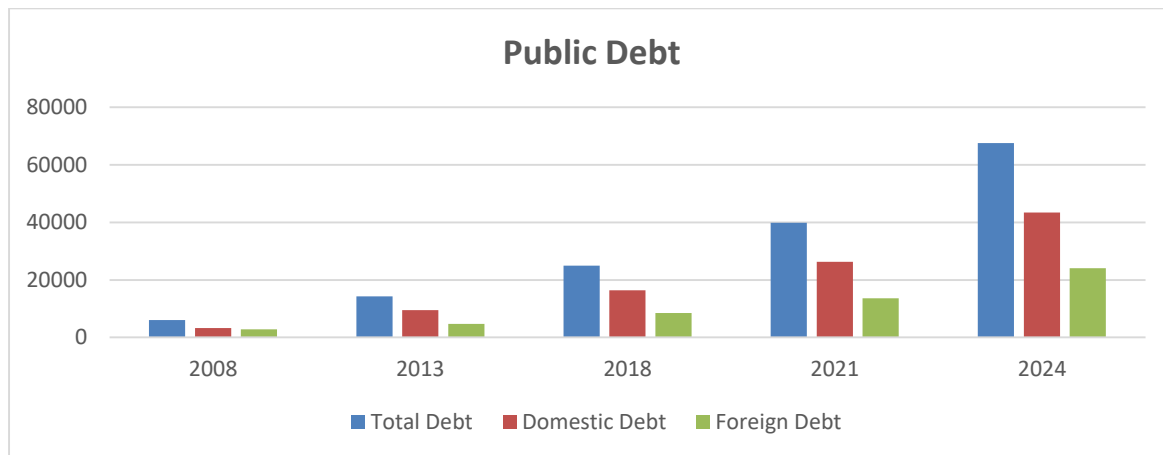
Budget at a Glance

	2024-2025 (Rs. Billions)	2023-2024 (Rs. Billions)
Receipts		
-Tax revenue	12,970	9,252
-Non-tax revenue	4,845	2,948
-Public account Receipts	120	(95)
Total Receipts	17,815	12,105
Less: Provincial Shares	(7,438)	(5,427)
Net Receipts	10,497	6,678
Expenditure		
-Current	22,372	16,928
-Development	2,017	1,490
Total Expenditure	24,389	18,418
Deficit	13,892	11,740

Following is the breakup of Budget Deficit and Tax Revenue:



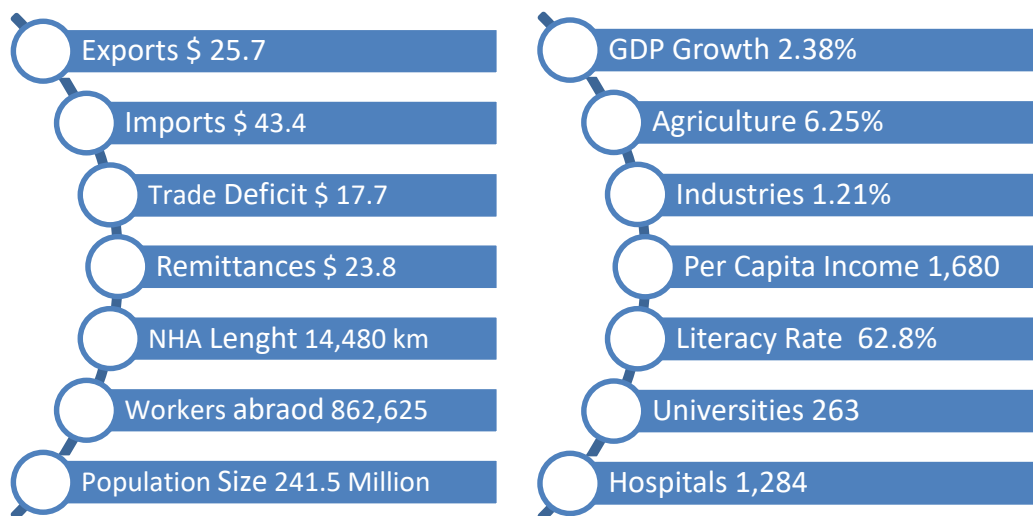
Economic Overview



Rs. In Billion

Financial Year	Total Debt	Domestic Debt	Foreign Debt
2008	6,044	3266	2778
2013	14,291	9,520	4,771
2018	24,953	16,416	8,537
2021	39,866	26,265	13,601
2024 (March)	67,525	43,432	24,093

Key Economic Indicators



Source: Economic Survey of Pakistan
Compiled by: Shahzeb Tahir Mughal ACMA

Significant Amendments

Income Tax Ordinance, 2001

- The AOP having turnover of more than 300 million shall be liable to file audited financial statements duly audited by CA or CMA otherwise the share from AOP of member shall be taxable. Previously, the share of AOP in hands of member of AOP was exempt without any requirement of audited accounts.
- The rate of tax for business individual and AOP has been increased while maximum slab increased from 35% to 45%; after taking into account, super tax the effective tax rate would be 55% or more for high income generators.
- The slab rates for salaried person has been increased, the effect of which shall be more taxes on salary as compare to previous rates.
- The new section 4AB has been introduced through which the surcharge shall be payable by individual and AOP @ 10% of the Income tax as calculated under DIV I of the Part I of the 1st Schedule where the taxable income exceeds 10 Million rupees.
- The new section 7F – Tax on Builders and Developers has been introduced. The following are the key points:
 - The tax shall be imposed at the rate as applicable on Business Individual/ AOP/Company as the case may be, on taxable profits from the business of “Construction and Sale of residential, Commercial or other plots” or “development and Sale of residential, Commercial or other plots”
 - The Taxable profit shall be 10% of gross receipts in respect of Construction and Sale of residential, Commercial or other plots
 - The Taxable profit shall be 15% of gross receipts in respect of Construction and Sale of residential, Commercial or other plots
 - The Taxable profit shall be 12% of gross receipts in respect of above both activities
- The WHT rates for toll manufacturing has been increased from 5% to 9% for companies and 5.5% to 11% for others. **(Section 153)**
- Previously, the amount of quarterly advance tax was required to be computed on the basis of turnover to tax ratio but where the amount of turnover was unknown, the quarterly turnover was taken as 1/4th of 110% of the turnover of latest tax year. The threshold has been enhanced from 110% to 120%. Furthermore, if the estimates and supporting documents are found unsatisfactory, the CIR has power to reject the estimate provided by the taxpayer. **(Section 147)**

- Currently, the Commissioner has a power to issue exemption certificate or lower rate certificate with respect to section 153 if the taxpayer has paid advance tax. Now, the Commissioner shall only issue reduced rate certificates upon payment of advance tax instead of exemption certificate and the reduction shall not exceed 80% of the rate specified. **(Section 153)**
- Currently, the Income from Exports fall under Final tax return, now it has been replaced with minimum tax regime, the tax deducted at source shall be minimum tax. **(Section 154)**
- The tax on transfer of Immovable Properties under section 236C shall not be applicable on current/retired personal of Pakistan Armed Forces and current/ex-service man of Federal/Provincial Government. **(Section 236C)**
- New penalties for shopkeepers and traders are introduced to put them into tax net. The shop will be sealed for 7 days in case of first default and 21 days for each subsequent default. Moreover there shall be imprisonment of 6 months along with fine. **(Section 82)**
- Restriction on foreign travel of non-filer from the country for a citizen of Pakistan, excluding persons holding National Identity Card for Overseas Pakistanis (NICOP), minors, students and persons proceeding abroad for Hajj or Umrah. Currently the consequences of non-filing of returns are as follows:
 - Disabling of Mobile phone or Sims
 - Discontinuance of electricity connection
 - Discontinuance of gas connection
- The “Tax Fraud investigation wing - Inland Revenue” has been established through insertion of new section 230K. This shall comprise of Chief Investigator, Investigators, Forensic Analysts and Data Analysts etc.
- In the case of persons mentioned in income tax general order who are non ATL’s, 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.
- The penalties of 50 Million for first default and 100 Million for each subsequent default in case of noncompliance with Income Tax General Order for disconnection of electricity and blockage of sims.
- Penalty of Rs. 500,000/- and imprisonment of one year along with fine in case of incomplete filing of Income tax return by companies and AOP.

- Every manufacturer and importer shall collect advance tax under section 236G at the time of sale to distributors, dealers and wholesaler, currently it is applicable on few specified goods. The rate of tax for filers shall be 0.1% for other than fertilizers and for non-filer rate shall be 2% under section 236G of the Ordinance.
- Every manufacturer, dealer, distributor, wholesaler or commercial importer shall collect advance tax under section 236H at the time of sale to retailers, currently it is applicable on few specified goods. The rate of tax for filer shall be 0.5% however in case of non-filer the rate shall be 2.5% under section 236H of the Ordinance
- Tax rates for securities under section 37A has been revised as follows:
 - Declining rates from 15% to 0% on the basis of holding period of 1 to 6 years, if security acquired during tax year 2023 and 2024
 - 15% flat rate of tax on securities acquired after 1st July 2024
 - Flat 12.5% on capital gain arising on disposal where the securities are acquired during tax year 2014 to 2022.
 - 0% tax rate on securities acquired before July 2013.
 - The rate for companies in respect of debt securities shall be the applicable corporate rate of tax.
- Tax rates for gain on Immovable properties under section 37(1A) has been revised as follows:
 - Declining rates from 15% to 0% on the basis of holding period for different properties, if property acquired on or before 30 June 2024 (Same as previous)
 - 15% flat rate of tax on capital gain on property acquired on or after 1st July 2024
- The rate of advance tax on sale of property u/s 236C has been revised as follows:

Value	Person Appearing in ATL	Late Filers	Person not Appearing in ATL
Where the gross amount of the consideration received does not exceed Rs. 50 million	3%	6%	10%
Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs 100	3.5%	7%	

million			
Where the gross amount of the consideration received exceeds Rs. 100 million	4%	8%	

- The rate of tax on purchase of property u/s 236K has been revised as follows:

Value of Property	Person Appearing in ATL	Late Filers	Person not Appearing in ATL
Where the fair market value does not exceed Rs. 50 million	3%	6%	12%
Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%	7%	16%
Where the fair market value exceeds Rs. 100 million	4%	8%	20%

- There shall be three categories for calculation of tax in case of immovable properties which are as follows:
 - Persons appearing in ATL
 - Persons not appearing in ATL
 - Persons appearing in ATL who have filed their returns after the due date
- In case of royalty arrangement with an associates on account of intangibles, 25% of sales promotion and advertising expense shall be disallowed in case of unsatisfactory explanation by the taxpayer in response to notice that no benefit has been conferred on the associate.
- Section 111(2A) has been introduced through which it is clarified that the year of discovery of foreign assets shall mean the year in which CIR has issued a notice to the taxpayer.
- Currently the default surcharge rate is 12% now the rate shall be KBOR+3% or 12% whichever is higher.
- The advance tax on motor vehicles u/s 231B is currently collected on the basis of engine capacity, now it shall be chargeable on the basis of value of vehicles.
- The exemption clause 102A of the Part 1 of the Second Schedule has been omitted through which the subsidy granted by the federal government for implementation of their orders shall be taxable.

- The exemption granted to the area of FATA/PATA has been extended to the TY 2025
- The rate of WHT u/s 153(1)(a) of the Ordinance for distributors of cigarettes shall be increased from 1% to 2.5%
- The claim regarding adjustment on account of IFRS 9 has been withdrawn in case of Banking Companies for non-performing loans, doubtful debts etc.
- The tax deduction rates for non-filers shall be 35% u/s 151 Profit on debt, previously it was 30%.

Rates for Business Individual and AOP's

Sr. No.	Tax Rate TY 2025			Tax Rate TY 2024	
	Taxable Income	Tax Rate		Taxable Income	Tax Rate
1	Where taxable income does not exceed Rs. 600,000/-	0%		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		Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	7.5% 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		Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 15,000 + 15% of the amount exceeding Rs. 800,000
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		Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 75,000 + 20% of the amount exceeding Rs. 1.2M
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		Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 315,000 + 25% of the amount exceeding Rs. 2,400,000
6	Where taxable income exceeds Rs. 5,600,000	Rs. 1,610,000 + 45% of the amount exceeding Rs. 5,600,000		Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 465,000 + 30% of the amount exceeding Rs. 3,000,000
7				Where taxable income exceeds Rs. 4,000,000	Rs. 765,000 + 35% of the amount exceeding Rs. 4M

Tax Rates for Salaried Persons

Sr. No.	Tax Rate TY 2025		Tax Rate TY 2024	
	Taxable Income	Tax Rate	Taxable Income	Tax Rate
1	Where taxable income does not exceed Rs. 600,000/-	0%	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	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	2.5% 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	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 15,000 + 12.5% 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	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 165,000 + 22.5% of the amount exceeding Rs. 2,400,000
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	Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 435,000 + 27.5% of the amount exceeding Rs. 3,600,000
6	Where taxable income exceeds Rs. 4,100,000	Rs. 700,000 + 35% of the amount exceeding Rs. 4,100,000	Where taxable income exceeds Rs. 6,000,000	Rs. 1,095,000 + 35% of the amount exceeding Rs. 6,000,000.

Sales Tax

- Currently, Sales tax is chargeable when goods are delivered or made available to the recipient of the supply but any advance received in respect of supply is not chargeable to tax until supply of goods. It is added “when 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” due to this addition, advance payment for supply shall also be liable to GST.
- Section 11 of the Sales tax Act deals with the assessment of short levied tax which has been deleted and replaced with new sections 11D, 11E, 11F and 11G. Section 11D will deal with best judgment assessment same like section 121 of the ITO 2001.
- Audit of sales tax affair is revamped via Section 25 of the Act, this same like section 177 of the Income Tax Ordinance. The legal infirmity exists in this section is that Commissioner can call for record related to period of 6 years after end of financial year but at the same time officer have to pass the order under section 11D/11E after conducting audit under section 25, the time limit to pass order u/s 11D/11E is 5 years hence this will create unnecessary litigation.
- **New Section 25AB – Investigative Audit** has been introduced to conduct audit in case of any probability or suspicion of tax fraud. After completion of investigative audit, the officer of Inland Revenue may pass order under section 11D/11E, black list the registered person or impose penalty or cause prosecution.
- The Order Passed under section “11D - Best Judgment Assessment” in case of failure to file Sales tax return in response to notice, shall abate if person file sales tax return within 60 days of order.
- Section 21 has been amended through which the Chief Commissioner will be empowered to review and modify the order of black listing **and suspension** on request of Registered Person or on his own motion.
- In case of tax fraud, the Commissioner is empowered to require furnishing of sales tax return related to last 15 years from the end of financial year under section 26 of the Act.
- **Making of taxable supplies without getting registration under Sales Tax Act shall be treated as tax fraud.**
- The “Tax Fraud investigation wing - Inland Revenue” has been established through insertion of new section 30AB. This shall comprise of Chief Investigator, Investigators, Forensic Analysts and Data Analysts etc.
- Provisions regarding tax fraud has been extended to imprisonment of upto 10 year along

with fine calculated on the basis of tax default [Section 33(11)]

- Currently the default surcharge rate is 12% now it shall be 12% or KIBOR+3% whichever is higher.
- The time line for transferring of cases from Commissioner Appeals to ATIR under revamping of appeal procedures shall be extended from June 16, 2024 to December 31, 2024.
- DAP is included in 3rd Schedule. Currently it is subject to tax @ 5%
- The payment more than Rs. 50,000/- for purchase invoice through banking channel is eligible to claim input tax. now, Rs. 50,000 in aggregate of all invoices of one supplier during tax period will be the threshold for claiming of input tax.
- Medicaments as were classifiable under Chapter 30 of the First Schedule to Customs Act, 1969, with certain exceptions, were subject to sales tax at a reduced rate of 1%. rate of sales tax for Pharma products shall be reversed and taxable @ 18% however the reduce rate @ 1% shall remain same for substances registered as drugs under Drug Act 1976.
- Milk, Fat filed Milk, Raw material/packing material for manufacturing of Preparation for infants, colors sets, inks, erasers, pencil sharpeners, geometry boxes, pens, ball pens, markers, color pencils and local supplies to registered exporters under export facilitation scheme are excluded from the 5th Schedule. The Fifth Schedule deals with levy of zero rate of sales tax.
- Following Entries has been omitted from the 6th Schedule. The Sixth Schedule deals with exemptions of goods from levy of sales tax.
 - Edible vegetables imported from Afghanistan
 - Fruit imported from Afghanistan excluding apples
 - colors sets, inks, erasers, geometry boxes, pens, ball pens, markers, color pencils
 - Medical diagnostic kits i.e. HIV kits etc
 - Oil Cake and other solid residues
 - Tractors
 - Imported goods donated to hospitals run by NPO's
 - Vermicillies, sheer mal, bun and rusk excluding those sold in bakeries and sweet shops falling in the category of Tier-1 retailers.
 - Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal
- Following items are included in 6th Schedule, The Sixth Schedule deals with exemptions

of goods from levy of sales tax.

- Supply of electricity to Azad Jammu and Kashmir (Table 1 Sr. 177)
- Import of gold under SRO 760(I)/2013 (Table 1 Sr. 178)
- Import of cystagon, cysta drops and trientine capsules for personal use (Table 1 Sr. 179)
- Bovine Semen (Table 1 Sr. 180)
- Milk excluding that sold under a brand name (Table 2 Sr. 56)
- Iron and steel scrap (Table 2 Sr. 57)
- POL products including MS (Petrol), High speed diesel, kerosene, Light diesel oil,
- Milk is excluded from 5th Schedule and included in 6th Schedule however Milk in brand name shall be subject to GST and price for packaged milk will expected to be increased
- Following Entries has been omitted from the 8th Schedule. The Eighth Schedule deals with goods subject to specific rates of sales tax.
 - LPG @ 10% (now taxable at standard rate)
 - Finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather @ 15%
- Currently personal computers and laptops are subject to tax @ 5% now the rate shall be 10% for imported computers/laptops
- Following items are subject to tax @ 10% under schedule 8
 - Oil Cake and other solid residues
 - Tractors
 - Vermicillies, sheer mal, bun and rusk excluding those sold in bakeries and sweet shops falling in the category of Tier-1 retailers.
 - Local supply of Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal
- Colors sets, inks, erasers, pencil sharpeners, geometry boxes, pens, ball pens, markers, color pencils are now subject to sales tax @ 10% under 8th Schedule
- The exemption on Supplies and import in FATA/PATA is extended to TY 2025
- The exemption on Supply of electricity to FATA/PATA is extended to TY 2025
- GST on Mobile Phones has been increased upto 25%

- Following few entries regarding withholding of sales tax are inserted in 11th Schedule. The 11th Schedule deals with withholding of sales tax.
- Supply of gypsum or limestone flux to cement manufacturer
 - Supply of Coal
 - Supply of waste of paper & paper board
 - Supply of plastic waste
 - Supply of crush stone silica

Federal Excise

- Currently the default surcharge rate is 12% now the rate shall be KBOR+3% or 12% whichever is higher.
- The “Tax Fraud investigation wing - Inland Revenue” has been established through insertion of new section 29A. This shall comprise of Chief Investigator, Investigators, Forensic Analysts and Data Analysts etc.
- The FED on International Travel has been increased.
- The time line for transferring of cases from Commissioner Appeals to ATIR under revamping of appeal procedures shall be extended from June 16 to December 31, 2024
- FED on nicotine pouches shall be levied @ 1,200/kg
- FED on Cement has been increased from 2/kg to 4/kg
- FED shall be levied on allotment or transfer of commercial property and first allotment or transfer of residential property in such mode and manner and subject to such conditions and restriction as may be prescribed by the Board. The rates are as follows
 - 3% for Filers
 - 5% for Late Filers
 - 7% for non-Filers
- FED on sugar to be supplied to manufacturers shall be levied @ 15/kg

Petroleum Levy

- Petroleum levy has been increased from Rs. 60 to Rs. 70 per litter

Other Aspects

- The Minimum wage rate has been increased from Rs. 32,000/- to Rs. 36,000/-

Capital Value Tax (CVT)

- CVT shall applicable to Farm houses in Islamabad @ Rs. 500,000/- for area between 2,000 sq yard to 4000 and Rs. 1,000,000/- if area exceeds 4,000 sq yards.
- CVT shall applicable to Residential houses in Islamabad @ Rs. 1000,000/- for area between 1,000 sq yard to 2000 and Rs. 1,500,000/- if area exceeds 2,000 sq yards.
- The CVT shall be payable annually along with Income tax return.

Revamping of Appellate structure

- The structure of appeals has been changed as follows:

Appellate Forum	Income Tax	Sales Tax	FED
Commissioner Appeals (CIR-A)	If Tax demand is less than 20 Million	If Tax demand is less than 10 Million	If Tax demand is less than 5 Million
Appellate Tribunal (ATIR)	If Tax demand is more than 20 Million	If Tax demand is more than 10 Million	If Tax demand is more than 5 Million

- The time line for transferring of cases from Commissioner Appeals to ATIR under revamping of appeal procedures shall be extended from June 16 to December 31, 2024.
- The time line for filing of appeal against orders passed by CIR (Appeal) and ATIR before enactment of Tax law Amendment Act 2024 shall be the time limitation as applicable before the said Act. Afterwards the appeal can be filed within 30 days
- The Order of CIR-Appeals or ATIR is contestable to High court on question of law or mixed question of law and facts
- The time line for filing of appeal at every level shall be 30 days
- The time line for filing of appeal against orders passed before 06 may shall be the same as applicable earlier
- The appeals having demand of more than above threshold currently pending with CIR-Appeals for adjudication shall be transferred to ATIR on December 31, 2024.
- The High Court may grant a stay from recovery of tax conditional upon deposit of at least 30% of the tax determined by the ATIR
- State-Owned Enterprises (SOE) as defined under State-Owned Enterprises (Governance and Operations) Act, 2023 are mandatorily required to first apply to the Board for the appointment of a committee for the resolution of any dispute. An appeal to the ATIR or the High Court or the Supreme Court as the case may be, can be filed if the Committee fails to decide.

.....**The End**.....

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