

***AMENDMENTS ENACTED BY
FINANCE ACT, 2024 VIS-À-VIS
THOSE PROPOSED IN
FINANCE BILL, 2024***

JUNE 29, 2024



A·F·FERGUSON&Co.

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The Federal Government presented Finance Bill, 2024 ('FB') in the National Assembly on June 12, 2024. After debate in the Senate and National Assembly, the Government has passed Finance Act, 2024 ('FA') yesterday (i.e., on June 28, 2024) with certain modifications / amendments made in the FB. The amendments made in the fiscal laws by the FA are made effective from July 1, 2024 unless otherwise specified.

This Memorandum summarises major amendments made in the FB whilst passing the FA.

INCOME TAX

SURCHARGE

For every individual (including salaried individuals) and Association of Persons (AOP), whose taxable income for the year exceeds Rs 10 million, a surcharge shall be payable at the rate of 10% of the income tax on their taxable income. For example, if a person's taxable income is Rs 12 million, normal income tax thereon is worked out at Rs 2,765,000. Accordingly, he will also be liable to pay a Surcharge at the rate of 10% thereon (i.e., Rs 276,500).

Corresponding amendment has also been made in withholding tax provisions to require employers to withhold the above amount of surcharge from payments of salaries to the respective employees.

This surcharge shall not be applicable on incomes falling within the purview of final tax regime or for which special tax rates are prescribed, such as capital gains on listed securities, immovable properties, etc.

For taxpayers who are otherwise liable to pay super tax because of their income crossing the threshold of Rs 150 million, the aforesaid surcharge would apply only on their normal income tax liability whilst no surcharge shall be calculated on the amount of super tax.

SALARIED INDIVIDUALS

There are no changes in the tax rates that were proposed through FB. The impact of changes in tax rates through the FB along with the effect of surcharge and super tax (wherever applicable) is illustrated as under:

Annual taxable income (Rupees)	Tax Year 2024		Tax Year 2025			Increase in tax	
	Income Tax	Effective Tax Rate	Income Tax	Surcharge U/S 4AB	Effective Tax Rate	(Rupees)	Effective Tax Rate
600,000	-	-	-	-	-	-	-
1,200,000	15,000	1.25%	30,000	-	2.50%	15,000	1.25%
2,200,000	140,000	6.36%	180,000	-	8.18%	40,000	1.82%
2,400,000	165,000	6.88%	230,000	-	9.58%	65,000	2.71%
3,200,000	345,000	10.78%	430,000	-	13.44%	85,000	2.66%
3,600,000	435,000	12.08%	550,000	-	15.28%	115,000	3.19%
4,100,000	572,500	13.96%	700,000	-	17.07%	127,500	3.11%
6,000,000	1,095,000	18.25%	1,365,000	-	22.75%	270,000	4.50%
8,000,000	1,795,000	22.44%	2,065,000	-	25.81%	270,000	3.38%
10,000,000	2,495,000	24.95%	2,765,000	-	27.65%	270,000	2.70%
12,000,000	3,195,000	26.63%	3,465,000	356,500	31.76%	616,500	5.14%
15,000,000	4,245,000	28.30%	4,515,000	451,500	33.11%	721,500	4.81%
200,000,000	* 70,995,000	35.50%	* 71,265,000	6,926,500	39.10%	7,196,500	3.60%
300,000,000	* 112,995,000	37.67%	* 113,265,000	10,426,500	41.23%	10,696,500	3.57%

* These amounts of income tax include super tax under section 4C at applicable rates.

NON-SALARIED INDIVIDUALS / AOPs

There are no changes in the tax rates that were proposed through FB except that in case of professional firms which are prohibited from incorporation under any law or rules promulgated by the relevant regulatory body, FA has reduced the maximum rate of 45% to 40%.

The impact of changes in tax rates through the FB on non-salaried individuals / AOPs (other than professional firms) including the effect of surcharge and super tax (wherever applicable) is illustrated as under:

Annual taxable income (Rupees)	Tax Year 2024		Tax Year 2025			Increase in tax	
	Income Tax	Effective Tax Rate	Income Tax	Surcharge U/S 4AB	Effective Tax Rate	(Rupees)	Effective Tax Rate
600,000	-	-	-	-	-	-	-
800,000	15,000	1.88%	30,000	-	3.75%	15,000	1.88%
1,200,000	75,000	6.25%	90,000	-	7.50%	15,000	1.25%
1,600,000	155,000	9.69%	170,000	-	10.63%	15,000	0.94%
2,400,000	315,000	13.13%	410,000	-	17.08%	95,000	3.96%
3,000,000	465,000	15.50%	590,000	-	19.67%	125,000	4.17%
3,200,000	525,000	16.41%	650,000	-	20.31%	125,000	3.91%
4,000,000	765,000	19.13%	970,000	-	24.25%	205,000	5.13%
5,600,000	1,325,000	23.66%	1,610,000	-	28.75%	285,000	5.09%
6,000,000	1,465,000	24.42%	1,790,000	-	29.83%	325,000	5.42%
8,000,000	2,165,000	27.06%	2,690,000	-	33.63%	525,000	6.56%
10,000,000	2,865,000	28.65%	3,590,000	-	35.90%	725,000	7.25%
12,000,000	3,565,000	29.71%	4,490,000	449,000	41.16%	1,374,000	11.45%
15,000,000	4,615,000	30.77%	5,840,000	584,000	42.83%	1,809,000	12.06%
500,000,000	* 214,365,000	42.87%	* 264,090,000	22,409,000	57.30%	72,134,000	14.43%
1,000,000,000	* 449,365,000	44.94%	* 549,090,000	44,909,000	59.40%	144,634,000	14.46%

* These amounts of income tax include super tax under section 4C at applicable rates.

TAX ON EXPORT OF GOODS

The FB proposed to convert the final tax regime of exporters of goods, Export Processing Zone (EPZ) entities, indirect exporters, etc. into minimum tax regime besides prescribing collection of an additional advance tax at the rate of 1% for direct exporters of goods.

A new provision has now been added in section 147 (Advance Tax) whereby specified withholding agents are now required to collect 1% advance income tax from the exporters of goods (whether direct or indirect) at the time of realisation of export proceeds, etc. Consequent to this amendment, collection of advance tax under section 154 proposed through the FB on direct exporters of goods has been withdrawn.

As a result of these amendments, revised tax impact on exporters and other persons is tabulated as under:

Nature of transaction	Withholding Agent	Prior to FA	Subsequent to FA	
		Final tax	Minimum tax	Advance tax (under section 147)
Export of goods	Banks	1%	1%	1%
Indirect exporter under inland back-to-back L/C arrangements	Banks	1%	1%	1%
Exports by EPZ entities	EPZA	1%	1%	1%
Sale of goods by an indirect exporter to certain direct exporters and export houses, etc.	Exporters / Export house	1%	1%	1%
Clearance of certain exported goods	Collector of Customs	1%	1%	1%

TAXATION OF BUILDERS & DEVELOPERS

A special tax regime for 'Builders' and 'Developers' is prescribed whereby applicable tax will be payable on their taxable profits from aforesaid activities to be computed as under:

Sr. No.	Nature of activities	Taxable profits as a percentage of gross receipts
1	Construction and sale of residential, commercial or other buildings	10%
2	Development and sale of residential commercial or other plots	15%
3	Income derived from both the above activities together	12%

Where 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 as above, the taxpayer shall not be allowed to take credit of any sum as is in excess of taxable profits as computed above. If, however, his actual taxable income is more than the taxable profits as computed above, taxpayer shall be entitled to take credit of such excess income subject to the payment of tax at the applicable normal rates.

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) are not covered by this regime.

POWERS TO ISSUE EXEMPTION CERTIFICATES

The proposal in the FB to withdraw powers of the Commissioner to issue a tax withholding exemption certificate in cases where income was exempt from tax or subject to 100% tax credit (e.g., NPOs) has been dropped.

However, with regard to payments to resident and non-resident persons (not subject to minimum tax) such as sale of goods by manufacturers, etc., the power to issue exemption certificate has not been restored instead the reduction allowed through a lower rate certificate will now be restricted upto 80% of the normal rate.

For example, in case of a corporate manufacturer of goods whose normal withholding tax rate on payment against sale of such goods is 5%, he would now be able to obtain a reduced rate certificate of upto 1% (i.e., maximum reduction of 4% being 80% of 5% is allowed).

MINIMUM TAX ON SPECIAL ECONOMIC ZONE ENTITIES

A specific clause has been re-inserted to exempt Special Economic Zone entities from the purview of minimum tax regime based on turnover (section 113). Such entities are even otherwise exempt from tax for specified periods. In the past, there has remained a controversy as to whether minimum tax provisions are applicable to such entities. The amendment has now set the controversy at rest.

SALES PROMOTION, ADVERTISEMENT & PUBLICITY EXPENDITURE

The FB proposed an amendment whereby in case of royalty payable to an associate on account of certain specified intangibles allowed to a taxpayer could result in disallowance of 25% of sales promotion, advertisement and publicity expenditure to such taxpayer.

The aforesaid disallowance will now only be made upon a notice issued by the Commissioner, where the taxpayer fails to furnish any explanation or evidence that no benefit has been conferred on the associate, as a result of incurring such expenditure.

In other words, the effect of amendment proposed by the FB has effectively been narrowed down by restricting the disallowance or allocation of 25% expense in only those cases where the taxpayer fails to substantiate that as a result of such incurred expenditure, no benefit has accrued or conferred to the associate owning specified intangibles.

INCOME FROM STOCK FUNDS

The rate of CGT proposed through the FB at 20% in case of a stock fund if dividend receipts are less than capital gains has been reduced to 15%.

SIGNIFICANT ECONOMIC PRESENCE FOR NON-RESIDENTS

Business income of a non-resident is inter alia considered to be Pakistan sourced income to the extent to which it is directly or indirectly attributable to a 'Business connection' in Pakistan. The concept of 'Business Connection' has been expanded to include 'significant economic presence in Pakistan' of a non-resident.

Significant economic presence in Pakistan is defined as:

- (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 aggregate of payments arising from such transactions during a tax year exceeds such amount as may be prescribed;
- (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; or
 - (ii) the non-resident has a residence or place of business in Pakistan; or
 - (iii) the non-resident renders services in Pakistan.

Non-resident persons covered by an applicable double tax treaty shall not be affected by the above amendment as the provisions of the double tax treaty override domestic tax legislation, subject to certain general anti-avoidance provisions.

SECTORAL BENCHMARKS FOR BEST JUDGEMENT ASSESSMENT

For the purposes of making a best judgment assessment, the Commissioner has now been empowered to determine taxable income on the basis of sectoral benchmark ratios, which may be 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.

YEAR OF DISCOVERY FOR CONCEALED FOREIGN ASSETS OR EXPENDITURE OR CONCEALED INCOME

Prior to the amendments made through the FA 2018, additions on account of both local and foreign concealed assets / income / expenditure were made for the tax year to which such items pertained. After the amendments made through the FA 2018, an addition on account of concealed foreign assets or expenditure or income was to be made in the tax year immediately preceding the tax year in which such amounts were discovered by the Commissioner.

In certain cases, there was a dispute as to which was the particular tax year in which such amounts were considered as discovered by the Commissioner (i.e., the tax year in which such information was received under Common Reporting Standard mechanism or otherwise) or the tax year in which Commissioner has issued the notice.

Through an amendment made by the FA, the 'year of discovery of foreign assets or concealed income or expenditure' is being defined as the year in which the Commissioner issued a notice requiring the person to explain the nature and source of such foreign assets or concealed income. For example, if the information was received in tax year 2019 and the Commissioner issues a notice in tax year 2024, the addition shall be made in the immediately preceding tax year (i.e., tax year 2023).

ASSETS OF SPOUSE FOR WEALTH STATEMENT

By way of an explanation added through the FA, it is clarified that for the purpose of Commissioner's power to require any person to file a wealth statement, assets of spouse shall be included in such wealth statement only if the spouse is dependent.

LATE FILERS

The FB proposed an enhanced rate of advance tax collection on purchase and sale of property for filers who filed their returns after the due date (referred as 'late filers'). It is now provided that such enhanced rate would only be applicable on those persons who filed their returns for last three preceding tax years after the respective due dates.

TAX CREDIT AVAILABLE TO FULL-TIME TEACHERS & RESEARCHERS

Through the FB, it was proposed to withdraw the 25% tax credit available to certain full-time teachers or researchers, employed in a non-profit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government research institution.

The above proposal to withdraw such tax credit has not been made part of the FA. As a result, tax credit of 25% presently available would continue.

RATE OF DEFAULT SURCHARGE

Through the FB, the rate of default surcharge was proposed to be enhanced from 12% per annum to KIBOR plus 3%. Similar amendments were also proposed in Sales tax and Federal Excise laws.

Through the FA, the rate of default surcharge has been amended to 12% per annum or KIBOR plus 3%, whichever is higher. Similar amendments have also been made in Sales tax and Federal Excise laws.

PENALTY FOR FAILURE TO COMPLY WITH FBR GENERAL ORDER FOR DISCONNECTION OF UTILITIES, ETC.

Through the FB, penalty was proposed for a person who fails to comply with income tax general order issued by the Board in respect of persons who are not appearing on active taxpayers' list but are liable to file return under the provisions of the Ordinance within 15 days of the issuance of general order. Such person was liable to pay a penalty of Rs 100 million for the first default and Rs 200 million for each subsequent default.

The proposal has been retained by FA with the reduction in the amounts of penalty as follows:

- Rs 50 million for the first default
- Rs 100 million for each subsequent default

It has been further provided that the imposition of penalty shall be effective from the date notified by the Board.

APPEALS

Through the FB, certain amendments were proposed in respect of recently introduced two-tier appeal system, to bring clarity on the value of assessment of tax viz-a-viz extending the period for transfer of cases from Commissioner Inland Revenue Appeals (CIRA) to Appellate Tribunal Inland Revenue (ATIR) and to provide protection on time limitation for orders received prior to Tax Laws (Amendment) Act, 2024.

The proposals have been retained with the following amendments:

- i) It was proposed that the last date for transfer of pending cases from CIRA to ATIR to be changed to from June 16, 2024 to September 16, 2024. The same has been amended in a manner that such cases can now be transferred on or before December 31, 2024. The said amendment shall be deemed to have taken effect from June 16, 2024.
- ii) Such transferred cases were required to be decided by the ATIR within a specified period from June 16, 2024. As per the FA, the same is now required to be decided within a specified period from the date of transfer.
- iii) In case of a reference to the High Court, the applicant was required to file complete record of the ATIR within 15 days of preferring an application. The said requirement is also made applicable for records relating to CIRA.
- iv) Under the existing law, 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. Through the FA, the said condition has now been made applicable on the order of the CIRA as well.
- v) It has been clarified through an explanation that reference against order of the CIRA shall lie before the High Court if communicated after the date of Tax Laws (Amendment) Act, 2024. Accordingly, the same cannot be contested before the Tribunal regardless of the value of assessment of tax or refund.
- vi) Under the existing law, the reference application before the High Court shall be accompanied by a fee of Rs 50,000. Through the FA, the same has also been made applicable to the aggrieved person other than the Commissioner.

Through the FA, certain corrective amendments have also been made to remove the ambiguities regarding the jurisdiction of CIRA, ATIR and High Court. However, various other corrective amendments are still required to align the laws relating to appeal system under Sales Tax and Federal Excise laws.

TAX FRAUD INVESTIGATION WING (TFIW)

Through the FA, provisions have been introduced in Income Tax, Sales Tax and Federal Excise Laws to establish TFIW to detect, analyze, investigate, combat and prevent tax fraud.

The TFIW shall comprise of:

- Fraud Intelligence and Analysis Unit
- Fraud Investigation Unit
- Legal Unit
- Accountants' Unit
- Digital Forensic and Scene of Crime Unit
- Administrative Unit
- any other Unit as may be notified by the Board by notification in the official Gazette.

The functions, jurisdiction and powers of TFIW and its officers will be notified by FBR in official gazette.

DIVERSIFIED PAYMENT RIGHTS

Exemption has been provided to the income of a Special Purpose Vehicle (SPV) buying Diversified Payment Rights from the Authorised Dealers in Pakistan. The provisions relating to withholding tax on payments to non-residents (section 152) are also not to apply to such SPVs.

Furthermore, in the context of special taxation provisions of banking companies (Seventh Schedule), it is provided that where any assets are transferred by an Authorised Dealer to an SPV, as a consequence of a Diversified Payment Rights transaction, it shall be treated as a financing transaction irrespective of the method of accounting adopted by the Authorised Dealer.

Diversified Payment Rights, Special Purpose Vehicle and Authorised Dealers are defined to mean the same as referred to in the State Bank of Pakistan's Circular(s) or Regulations on Diversified Payment Rights.

SALES TAX

DEFINITION OF ASSOCIATE

Through the FB, the definition of expression ‘associate’ was proposed to be amended to bring the same in consonance with that contained in section 85 of the Income Tax Ordinance, 2001, though certain editorial amendments were needed to bring the same fully in line with such provisions. Through the FA, the requisite remedial amendments have been made.

INPUT SALES TAX

Through the FA, definition of ‘input tax’ has been amended to empower the Board to exclude certain services, subject to provincial sales tax, from the ambit of admissibility of input tax, through issuance of notification, subject to any conditions/restrictions/limitations as may be specified.

TAX FRAUD

Through the FB, the existing definition of ‘tax fraud’ provided for in the Sales Tax Act (STA) was revamped by significantly enlarging its scope. Now, in order to further strengthen the legal position, such definition has been further amended through FA and the expression has now been defined to **mean** 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 the STA by way of submission of false return, statements or false documents or withholding of correct information or documents to cause loss of tax. Further, in addition to various other actions constituting ‘tax fraud’ that were included in revamped definition, the following have also been included through the FA in scope thereof:

- (i) making of taxable supplies without getting registration under the STA; or
- (ii) 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 the STA.

BEST JUDGEMENT ASSESSMENT

In the FB, concept of best judgement broadly similar to that existing under the Ordinance was introduced in sales tax law whereby the Competent officials were empowered, after issuance of a show cause notice to make a best judgement assessment on the basis of available information/material in cases where a person fails to furnish a sales tax return in response to a notice; and fails to produce before the tax authorities any accounts, record or documents requisitioned under section 25, 25AB or 38A of the STA.

The FB provided that where best judgment assessment has been made with respect to (i) above, and the person files the return, along with deposit of due tax, the show notice/ assessment order shall abate. FA now provides that such assessment shall only abate if the return is filed within sixty days of the best judgement assessment order.

BLACKLISTING & SUSPENSION OF REGISTRATION

Through the FB, the Chief Commissioner was to examine the ‘Blacklisting’ order passed by Commissioner under section 21(2) and modify the same, if need be, either on his own motion or on the basis of application made by taxpayer, with the order of Commissioner no longer appealable before Appellate Tribunal. FA now extends such powers to Chief Commissioner also in the case of any ‘Suspension’ order passed by Commissioner.

PAYMENT THROUGH BANKING CHANNELS

Through the FB, the threshold of Rs 50,000 regarding payments not made through banking channels was proposed to be considered in 'aggregate'. However, an ambiguity remained as to whether the expression 'aggregate' is with reference to a single tax period or single supplier. Through the FA, such ambiguity has apparently been removed and it has been specified that it is with reference to payments made to a single supplier in a tax period.

INVESTIGATIVE AUDIT

Through the FB, it was proposed to authorize the officer of Inland Revenue to carry out investigative audit in the cases involving tax fraud. The proposal has been dropped in the FA.

However, to deal with the cases involving tax fraud in sales tax matters, similar to the provisions inserted in the Ordinance, a new section 30AB is made part of the STA as well which authorizes the establishment of Tax Fraud Investigation Wing-Inland Revenue with defined functions to detect, analyze, investigate, combat and prevent tax fraud.

PENALTIES

Through the FB, it was proposed that the punishment for offences under the STA may extend up to a period of 10 years notwithstanding the provisions of the Code of Criminal Procedure, 1898. The said amendment has now been withdrawn through the FA.

Further, in addition to making editorial corrections through FA in amendments which were proposed through FB, various amendments have been introduced through FA to further strengthen certain penal provisions.

EXEMPTIONS FROM IMPOSITION OF SALES TAX - RETAINED

Through the FB, exemption on import and supply of certain goods was proposed to be withdrawn; however, in respect of the following items the proposal has not been acceded to; thus, the import and supply of these items remain exempt from charge of sales tax:

- Cardiology/cardiac surgery, neurovascular, electrophysiology, endosurgery, endoscopy, oncology, urology, gynaecology, disposables and other equipment as detailed in the relevant entries; and
- Goods (excluding electricity and natural gas) supplied to hospitals run by charitable hospitals of fifty beds or more and goods imported by hospitals run by non-profit making institutions.

Further, through the FB, following goods were proposed to be excluded from Sixth Schedule to the STA and proposed to be subjected to sales tax at reduced rate under Eighth Schedule. The said proposal, however, has not been adopted through the FA:

- Import or supply of Exercise books* (PCT heading 4820.2000); and
- Import or supply of newsprint and books but excluding brochures, leaflets and directories.

** The zero rating of raw material, packing material etc. whether imported or purchased locally for the manufacture of Exercise books which was proposed to be withdrawn through FB has been retained.*

NEW EXEMPTIONS INTRODUCED

Through FA, supply/ import of the following goods has been exempted from levy of sales tax:

Description	Heading
Supply of electricity to Azad Jammu and Kashmir	Respective headings
Import of gold under entrustment scheme under SRO 760(I)/2013	Respective headings
Import of cystagon, cysta drops and trientine capsules (for personal use only)	3004.9099
Bovine semen	0511.1000

Further, through the FB, supply of milk (excluding that sold under a brand name) was proposed to be exempted from levy of sales tax. Through FA the proposal has been accepted with certain modification, whereby, in addition to the milk sold under a brand name, milk supplied by corporate dairy farms has also been excluded from the scope of such exemption.

Similarly, the scope of the exemption proposed through FB on supply and import of iron and steel scrap has been restricted through the FA and the supplies made by manufacturer-cum-exporters of recycled copper authorized under the Export Facilitation Scheme, 2021 have been excluded from the scope of the exemption.

EXEMPTIONS RELATING TO ERSTWHILE TRIBAL AREAS

Through the FB, following supplies and imports were proposed to be charged to sales tax at reduced rate as the exemption earlier available was expiring on June 30, 2024:

- (i) Supplies meant for consumption in tribal areas;
- (ii) import of plant, machinery, equipment for installation in tribal areas;
- (iii) import of industrial inputs by the Industries located in tribal areas;
- (iv) Supplies of electricity to all residential and commercial consumers in tribal areas; and
- (v) Supplies of electricity to such industries (excluding steel and ghee or cooking oil industries) in the tribal areas which were set up and started their industrial production before March 31, 2018.

Through the FA, the exemption from imposition of sales tax in this respect has been extended till June 30, 2025 and as a result, the proposal for taxation of above at reduced rate has been withdrawn.

LOCALLY MANUFACTURED HYBRID ELECTRIC VEHICLE

Through the FB, locally manufactured Hybrid Electric Vehicles were proposed to be excluded from the reduced rate regime; however, through the FA, the proposal has been modified, and such vehicles shall remain subject to following reduced rates of sales tax till June 30, 2026:

Description	Reduced rate of sales tax
Locally manufactured Hybrid electric vehicles:	
(a) Upto 1800 cc	8.5%
(b) From 1801 cc to 2500 cc	12.75%

FEDERAL EXCISE DUTY

FIRST SCHEDULE

TABLE I: DUTIABLE GOODS

FED ON CEMENT

Through FB, rate of FED on Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers was proposed to be increased from Rs 2 per kg to Rs 3 per kg. FA has now increased the rate of FED to Rs 4 per kg.

FED ON LUBRICATING OIL

Through FA, FED has been levied at the rate of 5% ad valorem on lubricating oil (Tarif Headings: 2710.1951, 2710.1952 and 2710.1953).

MINIMUM PRICE RESTRICTION ON CIGARETTES BRAND

The FB proposed to increase the retail price for different tiers of cigarettes manufactured in Pakistan as tabulated below, resulting in retaining different brands in the same tiers despite price increase:

Sr. No.	Rates of Duty	Existing Description	Proposed Description
9.	Rs 16,500 per 1,000 cigarettes	Locally produced cigarettes if their on-pack printed retail price exceeds Rs 9,000 per 1,000 cigarettes.	Locally produced cigarettes if their on-pack printed retail price exceeds Rs 12,500 per 1,000 cigarettes.
10.	Rs 5,050 per 1,000 cigarettes	Locally produced cigarettes if their on-pack printed retail price does not exceed Rs 9,000 per 1,000 cigarettes.	Locally produced cigarettes if their on-pack printed retail price does not exceed Rs 12,500 per 1,000 cigarettes.

Through the FA, minimum price restriction has been reduced from 60% of the retail price to 55% of the retail price as given at Serial No. 9 stated above.

TABLE II: EXCISABLE SERVICES

INCREASE IN FED ON INTERNATIONAL AIR TRAVEL

Through the FA, FED has been increased on services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan as under:

Categories	Tickets issued before July 1, 2024	Tickets issued on or after July 1, 2024
Economy and economy plus air tickets	Rs. 5,000	Rs. 12,500
Club, business and first class air tickets		
(a) IATA Traffic Conference Area 1 (North, Central, South America and Environs)	Rs. 250,000	Rs. 350,000
(b) IATA Traffic Conference Area 2 (I) Middle East and Africa (II) Europe	Rs. 75,000 Rs. 150,000	Rs. 105,000 Rs. 210,000
(c) IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands)	Rs. 150,000	Rs. 210,000

TABLE III: EXCISABLE ITEMS OTHER THAN THOSE MENTIONED UNDER TABLES I AND II

A new Table III has been introduced to align the chargeability of FED on any item not covered by import / manufacturing of excisable goods or rendering of excisable services.

In the newly inserted Table III, FED proposed to be levied through FB on allotment / transfer of immovable property and supply of sugar has been placed with following changes:

FED on allotment / transfer of immovable property

Through the FB, FED at the rate of 5% was proposed to be levied on allotment and transfer of immovable property. Through the FA, different rates as tabulated below have been introduced for filer, late filer and non-filer, whilst also providing for the values at which FED has been imposed:

Description of Items	Heading/sub-heading Number	Rate of Duty
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 maintained under section 181A of the Income Tax Ordinance, 2001 on the date of acquisition of property.

FED on Sugar

Through the FA, FED at Rs 15 per kg has been levied on supply of white crystalline sugar by any person to a manufacturing, processing and packaging entity. Earlier though FB, FED was proposed to be levied on supply by manufacturers of sugar to any manufacturing entity.

CAPITAL VALUE TAX (CVT)

Through the FA, CVT (introduced through the FA, 2022) has been imposed on farmhouses and residential houses situated within the territorial limits of Islamabad Capital Territory on the basis of area (irrespective of its value) as under:

S. No.	Asset Description	Rate of CVT
1	Farmhouse (as defined in section 7E of the Income Tax Ordinance, 2001)	Rs 500,000 for the farmhouse with an area between 2,000 square yards and 4,000 square yards and Rs 1,000,000 if the area exceeds 4,000 square yards
2	Residential house	Rs 1,000,000 for the residential house with an area between 1,000 square yards to 2,000 square yards, and Rs 1,500,000 if the area exceeds 2,000 square yards

CVT in above cases would be payable at the time the income tax return for the tax year is due, and in the manner prescribed.

PETROLEUM LEVY (PL)

Through the FB, the maximum rate of PL as specified in the Fifth Schedule to the Petroleum Products (Petroleum Levy) Ordinance, 1961 was proposed to be enhanced (besides introducing the minimum rates) on certain products.

Through the FA, the minimum rates proposed for PL have been withdrawn whereas the maximum rates proposed through the FB have been reduced. The maximum rates of PL are as under:

S. No.	Petroleum Product	Unit	Prior to FA	Subsequent to FA
			Rupees per unit	
1	High Speed Diesel Oil (HSDO)	Litre	60	70
2	Motor Gasoline	Litre	60	70
3	Superior Kerosene Oil (SKO)	Litre	50	50
4	Light Diesel Oil (LDO)	Litre	50	50
5	High Octane Blending Component (HOBC)	Litre	50	70
6	E-10 Gasoline	Litre	50	50
7	Liquefied Petroleum Gas (produced / extracted in Pakistan)	Metric ton	30,000	30,000