



Result Assured Services for Growth

# **RIAZ AHMAD, SAQIB, GOHAR & CO.**

Chartered Accountants



# **FINANCE BILL 2025 HIGHLIGHTS**

# MISSION & VISION

## **Profession Leader**

To provide highest quality services to our clients with complete independence and integrity by professionally trained, committed & motivated team.

## **Environment**

Conducive to creativity, job security, personal growth and development of team members with adherence to ethical practices.

## **Training Facilities**

With dedication to groom professionals with the aim to make them leaders in chosen disciplines.

# PREAMBLE

RASG is pleased to present its initial highlights on Finance Bill 2025 for its clients, friends and associates. These highlights suggest that various measures have been proposed to enhance compliances and tax revenue.

RASG will be issuing its Annual Treatise on Taxation once the bill has been approved by the legislature which will give a more comprehensive coverage on the approved measures.

June 10 2025

*Disclaimer: This technical details have been prepared to the best of our knowledge and understanding. It provides a general overview of the matters discussed and is not intended to be comprehensive or sufficient for decision-making purposes. It should not be used as a substitute for professional advice. Riaz Ahmad, Saqib, Gohar & Co. Chartered Accountants does not accept any responsibility for any loss resulting from actions taken or not taken based on the contents of this publication.*

# Table Of Contents

01	INCOME TAX
06	SALES TAX
15	CUSTOMS ACT
16	OTHER LAWS

# INCOME TAX

## PROPOSED AMENDMENTS IN THE INCOME TAX ORDINANCE, 2001

### TAX ON PAYMENTS FOR DIGITAL TRANSACTIONS IN E-COMMERCE PLATFORMS

The Bill proposes to introduce tax on digitally delivered goods or services i.e. goods or services ordered or delivered through online or e-commerce platforms. Such tax shall be imposed at the tax rates depending on the mode of payment of such goods or services.

The measure aims to broaden the tax base and bring transactions through e-commerce platforms and online platforms (selling goods and services) within the tax base. However, the important step will be enforcement of such tax imposed, through the payment intermediary/courier business, who are required to withhold tax under section 153 of the Ordinance. The tax is proposed to be withheld at the following rates:

#### Where Payment of such goods or services is through banking channel or digital means

S. No.	Description	Tax Rates
1.	Amount paid does not exceed Rs. 10,000/-	<b>1% of the gross amount paid</b>
2.	Amount paid exceeds Rs. 10,000/- but does not exceed Rs. 20,000/-	<b>2% of the gross amount paid</b>
3.	Amount paid exceeds Rs. 20,000/-	<b>0.25% of the gross amount paid</b>

#### Where Payment is cash on delivery by courier service

S. No.	Description	Tax Rates
1.	On supply of electronic and electrical goods	<b>0.25% of the gross amount paid</b>
2.	On supply of clothing articles, apparels, garments etc.	<b>2% of the gross amount paid</b>
3.	On supply of goods other than mentioned in S.no 1 and 2 above	<b>1% of the gross amount paid</b>

The bill not only proposes withholding of the above tax through payment intermediary and courier services but also requires such persons to submit quarterly withholding statements to the Commissioner. Further, also requires the online market place or e-commerce platform also to submit monthly statements giving details of suppliers selling goods and services through there platforms.

### REDUCTION OF SUPER TAX RATE

The bill proposes to reduce super tax by 0.5% from the current applicable rates for income exceeding Rs. 200 million.

### MINIMUM VALUE OF FAIR MARKET RENT FOR COMMERCIAL PROPERTIES

The Bill proposes minimum rent concept, for the purpose of determining income from property for commercial properties. Where the fair market rent will be a minimum of 4% of the fair market value of the property (as per section 68 of the ordinance). However, other value may be accepted by the Commissioner if the tax payer is able to present satisfactory proof of such value.



## DISALLOWANCE OF EXPENDITURE/ DEPRECIATION EXPENSE

The bill proposes to increase the scenarios where certain expenditures are disallowed:

1. 10% of the claimed expenditure to be disallowed, where such purchases is made from persons not having NTN excluding purchase of agricultural produce from growers.
2. 50% of the expenditure to be disallowed where payment is made otherwise through banking channel or digital means against a single invoice exceeding Rs. 200,000/-.

Further, the bill also proposes to **disallow depreciation** for such asset whose payment was made without deducting the required tax under section 152 or 153 of the Ordinance.

## ADJUSTMENT OF BUSINESS LOSSES RESTRICTED

The bill proposes to restrict the adjustment of business losses against income from property.

## ELIGIBILITY OF GROUP RELIEF

The bill proposes to allow only those companies to avail group relief whose income is taxable under the normal tax regime. Any company not taxable under the normal tax regime will not be entitled for group relief.

## TAX CREDIT FOR INTEREST PAID ON LOW-COST HOUSING LOAN

The bill proposes to reintroduce the concept of tax credit on interest paid against house loan taken by a tax payer. The tax credit will be allowed where the loan is taken for construction or acquisition of one personal house including land up to 2,500 square feet or flat up to 2,000 square feet. The tax credit will be computed as follows:

- **(Applicable tax rate before tax credit) \* Lower of (Total interest paid by the person in the year or 30% of the taxable income for the year)**

Once tax credit is claimed against a house or flat, such person cannot claim tax credit for another house or flat for subsequent 15 years. Further, any interest claimed as deduction against income from property under section 15A shall not be entitled for tax credit under this section.

## RESTRICTION ON ECONOMIC TRANSACTIONS BY CERTAIN PERSONS

The bill proposes to introduce the much- needed restriction on acquiring assets or securities by person, who are non-filer and even if they are filers, but they do not have **sufficient resources** to buy such asset.

A person (other than a non-resident person or a public company) will only be eligible to perform the following transactions related to an asset, if he has filed latest return of income plus wealth statement and has sufficient sources to buy such asset or security:

1. Buy motor vehicle from manufacture of the vehicle having engine capacity exceeding 800CC, other than trucks, buses, tractors and rickshaws.
2. Register, record or attest transfer of immovable property of a value to be determined by the Federal Government.

3. Sell securities including debt securities or units of mutual funds including open an account for such securities of the individual or association of persons.
4. Open a bank account or maintained already open current account except Asaan account or Pensioner account of the person.

For the purpose of this section “**sufficient resources**” shall mean the person having 130% of cash and equivalent assets as per the latest wealth statement or in cash of company the latest financial statements of the value of transaction mentioned above.

### **TAX DEDCUTION ON PENSION**

The bill proposes a tax deduction on pension of a person below the age of 70 @ 5% of the amount exceeding Rs. 10 million provided he his only source of income is pension or annuity or commutation of pension. However, if he also has other source of income then the same will be taxed at the rate applicable on the salaried individual after availing tax credit on charitable donation and contribution on approved pension fund.

### **GAIN ARISING ON DISPOSAL OF CERTAIN DEBT SECURITIES**

The bill proposes for every custodian of debt security including a banking company to deduct tax on the gross amount of capital gain at the rate of **15%** arising to the holder of such debt security. However, such tax rate shall not be applicable on debt securities disposed through registered stock exchange or settled through NCCPL.

### **INCREASE OF WITHHOLDING TAX ON CASH WITHDRAWAL**

The bill proposes to increase tax from **0.6% to 0.8%** on cash withdrawal by person not appearing in the taxpayers’ list.

### **NO APPEAL EFFECT ORDER REQUIRED BY COMMISSIONER**

The bill proposes that where the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court has confirmed the tax payable as determined in the order appealed against, no appeal effect order will be required by the Commissioner to proceed for recovery.

### **OMMISSION OF PECUNIARY JURISDICTION IN APPEALS**

The bill proposes to omit section 126A, which allowed the tax payer to appeal before Commissioner (Appeals), where value of assessment of tax or refund of tax was below Rs. 20 million and to appeal before Appellate Tribunal Inland Revenue, where value of assessment of tax or refund of tax exceeds Rs. 20 million. Now, the bill proposes to give option to tax payer (other than state owned enterprises) to either appeal before Commissioner (Appeals) or appeal before the Appellate Tribunal Inland Revenue directly.

### **CLAUSE 66 ORGANIZATIONS SUBJECT TO 100C (Tax Credit for Charitable Organizations)**

The bill proposes to omit table 1 and table 2 under clause 66 of the second schedule and bring all the organizations under a single list, all being subject to the conditions of 100C. The said proposal seems to promote compliance across the board for all the organizations.



**RESTORATION OF FULL-TIME TEACHER REBATE**

The bill proposes to restore the full-time teacher or researcher rebate of 25%, that was allowed on the tax payable on the salary of a full-time teacher or researcher. However, teacher of medical profession who received income from private medical practice or received share from consideration paid by patient is excluded for such rebate. The said rebate is proposed to be restored retrospectively from tax year 2023 to tax year 2025.

**FIRST SCHEDULE****COMPARISON OF RATES OF TAX APPLICABLE FOR SALARIED INDIVIDUALS:**

S. No.	Taxable Income	Tax Rate (%)	Proposed Tax for Individuals (Rs.)	Existing Tax	Tax Incidence
1.	Where taxable income does not exceed Rs. 600,000	0	NIL	NIL	NIL
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	1% of the amount exceeding Rs. 600,000/-	upto Rs. 6,000/-	upto Rs. 30,000/-	upto Rs. 24,000/-
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs. 6,000/- + 11% of the amount exceeding Rs. 1,200,000/-	Rs. 6,001/- to Rs. 116,000/-	Rs. 30,001/- to Rs. 180,000/-	Rs. 24,000/- to Rs. 64,000/-
4.	Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs. 116,000/- + 23% of the amount exceeding Rs. 2,200,000/-	Rs. 116,001/- to Rs. 346,000/-	Rs. 180,001/- to Rs. 430,000/-	Rs. 64,000/- to Rs. 84,000/-
5.	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 346,000/- + 30% of the amount exceeding Rs. 3,200,000/-	Rs. 346,001/- to Rs. 616,000/-	Rs. 430,001/- to Rs. 700,000/-	Rs. 84,000/- to Rs. 84,000/-
6.	Where taxable income exceeds Rs. 4,100,000/-	Rs. 616,000/- + 35% of the amount exceeding Rs. 4,100,000/-	Rs. 616,001/- and above	Rs. 700,001/- and above	Rs. 84,000/- and above

**Note:** The surcharge applicable on the income of Salaried Individual exceeding Rs.10 Million has been proposed to be reduced from 10% to 9%.

**RATE OF DIVIDEND TAX**

The bill proposes the tax rate of 15% for mutual funds contingent upon proportional income derived from average annual investments in debt securities and equities respectively.

**RATE FOR PROFIT ON DEBT**

For Division IIIA, the bill proposes that the rate of tax for profit on debt imposed under section 7B shall be  
 (a) 20% of the yield or profit paid by a banking company or financial institution on an account or deposit maintained with such company or institution; and  
 (b) 15% of the yield or profit in cases other than those mentioned in clause (a).

**ADVANCE TAX ON SALE OR TRANSFER OF IMMOVABLE PROPERTY**

The rate of tax to be collected under section 236C shall be as set out in the following table:-

The said rate of advance tax is proposed to be amended as follows:

S. No.	Amount	Existing Tax Rate	Proposed Tax Rate
1.	Where the gross amount of the consideration received does not exceed Rs. 50 million	3%	4.5%
2.	Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%	5%
3.	Where the gross amount of the consideration received exceeds Rs. 100 million	4%	5.5%

**ADVANCE TAX ON PURCHASE OF IMMOVABLE PROPERTY**

The said rate of advance tax is proposed to be amended as follows:

S. No.	Amount	Existing Tax Rate	Proposed Tax Rate
1.	Where the fair market value does not exceed Rs. 50 million	3%	1.5%
2.	Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%	2%
3.	Where the fair market value exceeds Rs. 100 million	4%	2.5%

# **SALES TAX**

## PROPOSED AMENDMENTS IN THE SALES TAX ACT, 1990

### “CARGO TRACKING SYSTEM” AND “E-BILTY”

The Federal Government has through its Finance Bill, 2025 proposed to introduce the concepts of a “Cargo Tracking System” and “E-Bilty” for electronic monitoring and tracking of goods transported within or across Pakistan’s territory. This concept has been introduced to strengthen the enforcement against goods being transported across Pakistan and prevent evasion of sales tax.

A “Cargo Tracking System” is an electronic system used for the purpose of tracking goods, whereas, an “E-Bilty” is an electronic tracking document which would be generated by the said system. A “bilty” is a common term used to describe a transportation receipt for goods. However, through the introduction of the concept of an “E-Bilty” the Federal Government aims to computerize this document to ensure tracking and monitoring. The details of this system and document are yet to be prescribed.

### E-COMMERCE AND RELATED TAXABILITY

To better integrate digitally ordered taxable goods into the e-commerce sales tax framework, the definition of 'e-commerce' has been proposed through the Finance Bill, 2025 and 'online marketplace' has been redefined to encompass all taxable activities. Currently, online marketplaces are required to withhold 1% sales tax on local supplies made by non-active taxpayer vendors.

However, it was not fully bringing the expanding e-commerce sector into the tax net, particularly businesses using websites, apps, etc., for online sales to consumers. To address this, the scope of withholding tax has been broadened to cover transactions settled via online payment or cash on delivery (CoD).

Additionally, the Finance Bill, 2025 also proposes to substitute S. No. 8 of the Eleventh Schedule whereby now payment intermediaries (banks, financial institutions, exchange companies, and payment gateways) will collect sales tax on digital payments, while couriers will handle tax collection for CoD transactions. Additionally, the withholding tax rate is proposed to increase from 1% to 2%.

Furthermore, all persons including a non-resident person selling digitally ordered goods from within Pakistan through an online market place, website or software application are proposed to be obliged to apply for registration.

Online market places have also been proposed to restrict supply of digitally ordered goods through their platform from within Pakistan unless such supplier is registered under the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001.

It has also been proposed through the Finance Bill, 2025 that online market places shall not later than the due date furnish a monthly statement indicating supplier wise amount paid and tax due of the taxable supplies of digitally ordered goods.

A similar requirement is also proposed to be made on every payment intermediary and courier.

### **RETAIL MARKET PRICE OF IMPORTED GOODS**

The Finance Bill, 2025, proposes to enhance the definition of “retail price” by covering those imported items which are subject to sales tax on their retail market price.

A new proviso has been proposed to be inserted in the above referred definition, whereby the retail price of those imported goods taxable under the third schedule shall not be less than 130% of the value determined under the Customs Act, 1969, including the amount of customs duties and federal excise duties levied on that product.

This would significantly enhance the taxability of certain products and have an inflationary effect on consumer goods. Additionally, there are a large number of products on which there is a very nominal amount of margin between the import cost and the price at which it is sold. However, this amendment would force those products to be subject to tax at a significantly higher value and needs to be reconsidered.

### **LIMIT ON ADJUSTMENT OF INPUT TAXES**

The Finance Bill, 2025 has proposed to limit the adjustment of input tax allowances through amendments in Section 8B of the Sales Tax Act, 1990. It is proposed that the Federal Board of Revenue may also use data automated risk management system to defer certain input tax or fix higher or lower limits of input tax adjustments.

However, the taxpayer has been provided a right to contest this adjustment by filing an application with the concerned Commissioner Inland Revenue who shall decide the matter within thirty days.

**RESTRICTIONS ON UN-REGISTERED PERSONS**

The Finance Bill, 2025 continues to place restrictions on un-registered persons as it has been a prime objective of the Federal Government to increase the tax net. New Sections, namely 14AC, 14AD and 14AE have been proposed to be inserted through the Finance Bill, 2025 which place restrictions on bank account operations, transfer of immovable property, sealing of business premises, seizure of property and the appoint of a receiver to compel unregistered persons to comply.

The proposal of these provisions leave no shadow of doubt that in the coming days, life would be made more difficult for un-registered persons and the Federal Government has realized that increasing the rate of taxes is no longer the solution.

**STRENGTHENING ENFORCEMENT AND CREATING DETERRENCE AGAINST TAX FRAUD**

The Federal Government is continuing to tighten its grasp on those involved in sales tax frauds and actively combating it through a range of policy and administrative measures. These efforts include enhancing enforcement mechanisms to identify and prevent tax evasion and imposing tougher penalties to serve as a deterrent.

Following measures have been proposed through the Finance Bill, 2025:

The statute does not envisage the role of an ‘abettor’ who connives with the registered persons involved in fraudulent activities to evade the sales tax. Now, the term “abettor” is proposed to be defined as that person who misuses another registered person’s unique user identified and password for filing of returns, makes unauthorized changes to the taxpayer’s e-profile, prepares or causes the preparation of invoices for false claim of inputs, allows use or operation of a bank account for the purpose of committing tax fraud and has obtained sales tax registration for the purpose of conducting paper transactions including issuance of invoices without any taxable activity.

Tax fraud is currently defined under clause (37) of section 2. The scope of this definition is proposed to be broadened to cover all kinds of frauds including in order to strengthen the grasp of the Federal Government against those involved in tax frauds and providing legal cover to any actions taken against them.

Additionally, a number of amendments have been proposed with respect to in penalties in order to discourage tax fraud.



Furthermore, a clear distinction has been created in the law for proceeding against the non-compliance and tax frauds. The concerned officer inland revenue have now been empowered to arrest those persons involved in tax frauds and such persons are proposed to be prosecuted before the special judges based on the inquiry and investigation by the department and the final decision shall be taken by a judge instead of an officer of the department.

### **APPOINTMENT OF EXPERTS AND AUDITORS**

The Finance Bill, 2025 proposes to empower the Federal Board of Revenue and its field formations to appoint experts to assistance in audit, investigation, litigation or valuation. Additionally, the Federal Board of Revenue is also proposed to have the power to appoint auditors being not more than 2,000 in number, through direct engagement or through third parties.

Although the above proposed powers would ensure detailed scrutiny and a higher quality of audits/investigations being performed, but it leaves the question mark regarding the current field formations and the heavy expenditure being borne by the Government Exchequer. This would insert an additional burden on the already reported fiscal deficit of the Country.

### **REORGANIZING OF THE APPEAL MECHANISM**

Through the Tax Laws (Amendment) Act, 2024, pecuniary jurisdiction in appeals was set whereby those appeals having revenue involvement of more than ten million was only appealable before the Hon'ble Appellate Tribunal Inland Revenue and those involving revenue of ten million or less was only appealable before the Learned Commissioner Inland Revenue (Appeals).

However, through the Finance Bill, 2025, it seems that the Federal Government has back tracked on its decision owing the hurdles being faced by both the taxpayers and the legal machinery. It has now been proposed that all orders (which are appealable) shall be eligible to be appealed before the Learned Commissioner Inland Revenue (Appeals), and the pecuniary jurisdiction limits have been proposed to be omitted.

However, It would be at the option of the Appellant, whether it wants to file an appeal directly before the Hon'ble Tribunal Inland Revenue or not and forego its right to appeal before the Commissioner Inland Revenue (Appeals).

Additionally, the time limit for filing of a reference before the Hon'ble High Court has now been proposed to be increased from 30 days to 60 days.

## INSPECTION OF AN AUDIT FIRM

The Finance Bill, 2025 now proposes to empower the Concerned Chief Commissioner to refer an audit firm to the audit oversight board for inspection, where he/she has reasons to believe that such an audit firm has issued audited accounts which do not reflect a true and fair view of the sales, purchases and related sales tax liability.

## CONDONATION OF TIME LIMIT

Currently, condonation of a time limit to commit an act could be given by the Federal Board of Revenue for any period as may be required. However, now it has been proposed through the Finance Bill, 2025 that condonation may be given for a period of two years only. Additionally, where there is a significant loss of revenue involved, then condonation may be given for an extended period as may be appropriate, after decision of the processing committee.

## THE THIRD SCHEDULE (SALES TAX ON RETAIL PRICE OF SUPPLIES)

- The Bill proposes to add the following entries in Third Schedule of Sales Tax Act, 1990 i.e. now the Sales Tax will be charged at import stage at Retail Price:

Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
52.	Import of pet food including of dogs and cats sold in retail packing.	2309.1000
53.	Import of coffee sold in retail packing.	0901.1100, 0901.1200, 0901.2100, 0901.2200, 0901.9000, 2101.1120
54.	Import of chocolates sold in retail packing.	1704.9010, 1806.2090, 1806.3100, 1806.3200, 1806.9000
55.	Import of cereal bars sold in retail packing.	1904.1010, 1904.1090, 1904.2000, 1904.3000, 1904.9000.

## THE SIXTH SCHEDULE (EXEMPTED SUPPLIES)

**Table-I – (Imports or Supplies)**

- The Bill proposes to charge Sales Tax on following items by omitting them from Sixth Schedule of the Sales Tax Act, 1990:

Sr. No.	Description	Sales Tax Rate
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 (XXXVII of 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.	Now chargeable to sales tax at reduce rate discussed in Eighth Schedule below.
164	Photovoltaic cells whether or not assembled in modules or made up into panels.	Now chargeable to sales tax at the rate of 18%.

- Following Serials are proposed to be amend/remove/added:

Serial No.	Description	Comments
152	Supplies of electricity, as made from the day of assent to the Constitution (Twenty-fifth Amendment) Act, 2018, till 30 <sup>th</sup> June, 2026, to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas which were set and	The proposed amendment seeks to amend the existing provision by substituting '2025' with '2026', effectively extending the exemption period for electricity supplies to specified consumers in tribal areas. This amendment aims to provide continued support to eligible industries and consumers in these regions.

Serial No.	Description	Comments
	started their industrial production before 31st May, 2018, but excluding steel and ghee or cooking oil industries.	
179	Import of cystagon, cysta drops and trientine capsules.	The proposed amendment seeks to remove the restriction 'for personal use only' for the import of trientine capsules. This change may facilitate bulk imports or commercial use of these medications, potentially impacting their availability and pricing.
181	Import or lease of aircrafts by Pakistan International Airlines Corporation Limited (PIACL)	The proposed amendment seeks to add a new entry regarding the import or lease of aircrafts by Pakistan International Airlines Corporation Limited (PIACL). This may facilitate the airline's operations, fleet expansion, or modernization efforts, potentially enhancing its services and competitiveness.

Table II-(Local Supplies only)

- The Bill proposes to substitute the Serial No. 57 in Table II of the Sixth Schedule of Sales Tax Act, 1990:

Description (Existing)	Description (Proposed)	Comments
Iron and steel scrap excluding supplied by manufacturer-cum-exporter of recycled copper, authorized under Export Facilitation Scheme, 2021.	<p>Iron and steel scrap excluding:</p> <p>a) supplied by manufacturer cum-exporter of recycled copper, authorized under Export Facilitation Scheme, 2021 directly supplied to a registered steel melter subject to such apportionment, conditions and restrictions as may be specified by the Board through a Sales Tax General Order; and</p> <p>b) supplied directly by the importer (verifiable from the goods declaration form) to a registered steel melter</p>	<p>The proposed amendment seeks to further restrict the exemption for iron and steel scrap by specifying two exclusions:</p> <p>1. Direct supply to registered steel melters by manufacturer-cum-exporters of recycled copper under the Export Facilitation Scheme, 2021, subject to Board-specified conditions.</p> <p>2. Direct supply by importers to registered steel melters, verifiable from goods declaration forms, subject to Board-specified conditions.</p>

Description (Existing)	Description (Proposed)	Comments
	subject to such apportionment, conditions and restrictions as may be specified by the Board through a Sales Tax General Order.	

## THE EIGHTH SCHEDULE (REDUCED RATE SUPPLIES)

**Table-I**

- The Bill proposes to charge Sales Tax on following items by omitting them from Eighth Schedule of Sales Tax Act, 1990. These items will now be subject to standard rate of sales tax:

S. No.	Description
53	The following cinematographic equipment imported during the period commencing on the 1st day of July, 2018 and ending on the 30th day of June, 2023.  (i) Projector (ii) Parts and accessories for projector (iii) Other instruments and apparatus for cinema (iv) Screen (v) Cinematographic parts and accessories (vi) 3D Glasses (vii) Digital Loud Speakers (viii) Digital Processor (ix) Sub-woofer and Surround Speakers (x) Amplifiers (xi) Audio rack and termination board (xii) Music Distribution System (xiii) Seats (xiv) Recliners (xv) Wall Panels and metal profiles (xvi) Step Lights (xvii) Illuminated Signs (xviii) Dry Walls (xix) Ready Gips.
72	Motorcars - Locally manufactured or assembled motorcars of cylinder capacity upto 850cc.

- Following Serial is proposed to be added:

Serial No.	Description	Rates	Comments
89	(i) imports of plant, machinery, and equipment for installation in the tribal areas, and import of industrial inputs by industries located in the tribal areas, as defined in the Constitution of the Islamic Republic of Pakistan; and  (ii) and supplies within the tribal areas  Provided that, in case of imports, the same shall be allowed clearance by	10% (for 2025-26)  12% (for 2026-27)  14% (for 2027-28)  16% (for 2028-29) and	The proposed amendment introduces a gradual increase in tax rates for imports and supplies in tribal areas over the next four years:  - 10% for 2025-26 - 12% for 2026-27 - 14% for 2027-28 - 16% for 2028-29  This change may impact industries and businesses

Serial No.	Description	Rates	Comments
	<p>the Customs authorities in accordance with quota determined by IOCO.</p> <p>Provided further that if plant, machinery and equipment, on which reduced rate is availed under this serial number, is transferred or supplied outside the tribal areas, the differential amount of tax shall be paid at applicable rate.</p>		<p>in tribal areas, potentially affecting their operations and competitiveness. The amendment also specifies conditions for clearance and tax payment in case of transfer or supply outside tribal areas.</p>



# CUSTOMS ACT

## PROPOSED AMENDMENTS IN THE CUSTOM ACT, 1969

The bill proposes various amendments in the Custom Act, 1969 based on the following guiding principles i.e.to;

- Facilitate exports by reducing input costs and improving trade competitiveness.
- Make quality goods more affordable by adjusting import duties.
- Reduce tariffs on key raw materials to support local industries.
- Improve revenue collection and fight smuggling through stronger enforcement.
- Create more jobs by encouraging industrial growth and smoother trade processes.
- Support FBR's digitalization, transparency, and institutional reform initiatives.
- Use modern technology to make customs processes faster and more efficient.

## LEGISLATIVE CHANGES

**Institutional and structural reforms** are proposed as part of legislative changes, including the standardization of assessments supported by artificial intelligence, the implementation of tech-enabled anti-smuggling measures through the introduction of digital enforcement units, and the establishment of a Customs Command Fund to utilize proceeds from anti-smuggling actions for sustained enforcement support.

Further, **Technology & Human Resource Enhancements** are proposed, including the hiring of experts in IT, audit, and valuation on short-term contracts, and the merger of Intelligence and Risk Management System (RMS) Directorates to enable integrated and efficient operations.

**Cargo Tracking System (CTS) & e-Bilty** are proposed to be made mandatory for the movement of import, export, and transit goods. Non-compliance may result in penalties, confiscation of goods, or imprisonment. Exemptions from these requirements may be granted based on the value of the consignment or the distance of transportation.

**Litigation & Adjudication Reforms** are also proposed as part of the legislative changes. Key measures include:

- Increasing the contravention threshold from Rs. 20,000 to Rs. 100,000.
- Extending the adjudication timeline from 30 to 45 days, with an additional 15-day extension permitted by the Collector.
- Restricting the right to appeal in cases where the appellant failed to appear during adjudication proceedings.
- Requiring a mandatory 50% security deposit for court or appellate tribunal stay orders on auctions.



# OTHER LAWS

**PROPOSED AMENDMENTS IN THE FEDERAL EXCISE ACT, 2005****1. Power to Seize and Confiscate Counterfeit or Unstamped Dutiable Goods**

To strengthen enforcement and deterrence, amendments have been proposed to empower authorities to seize dutiable goods that are either not affixed with tax stamps or are affixed with counterfeit stamps, banderoles, stickers, labels, or barcodes. These goods, along with the conveyance used for transportation, will be liable to seizure and confiscation. Additionally, the Federal Board of Revenue (FBR) may authorize federal or provincial government officers to exercise the powers of Inland Revenue Officers for such enforcement actions.

**2. Streamlining of Appeals Process in Tax Law**

Registered persons now have the option to file an appeal directly with the Appellate Tribunal Inland Revenue (ATIR) without any monetary threshold, bypassing the Commissioner (Appeals). This enhances access and reduces procedural delays. Further, the time period for filing reference before High Court after ATIR has been extended from 30 days to 60 days.

**3. FED on Allotment or Transfer of Immoveable Property**

Federal excise duty on the allotment and transfer of residential and commercial plots, imposed through the Finance Act, 2024, is now proposed to be withdrawn.

## DIGITAL PRESENCE PROCEEDS TAX ACT, 2025

In order to support the Federal Government's efforts to modernize tax policy in response to globalization and the increasing digitization of trade the bill seeks to introduce a new law named as "Digital Presence Proceeds Tax Act, 2025".

The act will ensure that every foreign vendor having significant digital presence in Pakistan shall be charged to Digital Presence Proceeds Tax on proceeds of every supply made from outside Pakistan of digitally ordered services or goods irrespective of whether delivered digitally or physically.

The tax rate for collection for cross-border transactions of digitally ordered goods and services shall be as under:

S. No.	Description	Rate of tax
1.	Services	5% of the payment including of advertisement on social media platforms
2.	Goods	5% of the payment made to foreign provider

## THE STAMP ACT, 1899 (APPLICABLE TO ISLAMABAD CAPITAL TERRITORY)

### AMENDMENT IN ARTICLE 23 OF SCHEDULE I

The Bill seeks to substitute Article 23 of Schedule I to introduce differentiated stamp duty rates on conveyance based on the tax filing status of the transferee.

Existing Description and Rate	Proposed Description	Proposed Rate
On conveyance as defined under clause (10) of section 2 not being a transfer charged or exempted under Article 62:  (a) Future flow transaction instruments by banks/financial institutions – PKR 1,000/-.  (b) All other conveyance cases - 4% of property value.	On conveyance as defined under clause (10) of section 2 not being a transfer charged or exempted under Article 62.	<ul style="list-style-type: none"> <li>1% of property value for <b>filers</b> of tax returns as defined in the Income Tax Ordinance, 2001.</li> <li>2% of property value for <b>non-filers</b> of tax returns as defined in the Income Tax Ordinance, 2001.</li> </ul>

The amendment introduces a tiered stamp duty based on the buyer's filing status, rewarding compliant taxpayers. It promotes documentation and aligns with the Income Tax Ordinance, 2001. This step reflects the government's push for greater tax compliance and transparency.

**PETROLEUM PRODUCTS (PETROLEUM LEVY) ORDINANCE, 1961**

This Bill seeks to expand the scope of the Ordinance by introducing a new Carbon Levy under Section 3(4):

<b>Carbon Levy under Proposed Section 3(4)</b>		
<b>Petroleum Product</b>	<b>FY 2025-26 (rupees per litre)</b>	<b>FY 2026-27 (rupees per litre)</b>
<b>Motor Spirit</b>	2.5	5
<b>High-Speed Diesel (HSD)</b>	2.5	5
<b>Furnace Oil</b>	2.5	5

**ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001**

This Bill seeks to introduce structural and compliance-oriented changes through the following key amendments to Section 3:

1. A new proviso has been added to sub-section (1), making it mandatory for service providers listed in Table-1 and Table-2 of the Schedule to integrate their businesses with FBR's computerized system for real-time reporting of services, as prescribed through a general order.
2. A new sub-section (4) has been added, authorizing the Federal Board of Revenue to specify a Negative List of exempt services in Table-3 of the Schedule, through notification in the official Gazette, subject to conditions, restrictions, and limitations.



## Key Contacts

### Head Office: Karachi

RASG Tower, 7C Zulfiqar Commercial  
Street 4, Phase VIII. DHA Karachi.  
Phone: 92 21 3493 2629 , 34946112  
Email: rasgkhi@rasgco.com

### Lahore

Building No. 35 - D / E, Ali Block, New  
Garden Town Lahore.  
Phone: 92 42 35940246-7  
Email: rasglhr@rasgco.com

### Islamabad

Office No. 06 & 07, 3rd Floor, Plot No. 08  
Pak Land Business Centre I – 8 Markaz,  
Islamabad.  
Phone: 92 51 2804245 - 46  
Email: rasgisld@rasgco.com



GOHAR MANZOOR  
Founding and Managing Partner  
Email: gohar@rasgco.com



MUHAMMAD ALI RAFIQUE  
National Partner - Audit  
Email: muhd.ali@rasgco.com



MUHAMMAD KAMAL GOHAR  
National Partner - Advisory  
Email: kamal@rasgco.com



MOHAMMED KAMIL GOHAR  
National Partner - Taxation  
Email: kamil@rasgco.com



BABAR HABIB  
Partner  
Email: baber@rasgco.com



FAREED HUSSAIN SIDDIQUE  
Director - Taxation  
Email: fareed@rasgco.com



PROF. DR. MUHAMMAD OVAIS  
Executive Director  
Email: ovais@rasgco.com



[info@rasgco.com](mailto:info@rasgco.com)



[www.rasgco.com](http://www.rasgco.com)



[rasgco](https://www.facebook.com/rasgco)



[company/rasgco](https://www.linkedin.com/company/rasgco)

