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FINANCE BILL 2026 HIGHLIGHTS

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PREAMBLE

RASG is pleased to present its initial highlights on Finance Bill 2026 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 12 2026

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.

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Table of Contents

Income Tax	01
<hr/>	
Sales Tax	12
<hr/>	
Customs Act	24
<hr/>	
Other Laws	27

INCOME TAX

PROPOSED AMENDMENTS IN THE INCOME TAX ORDINANCE, 2001

Algorithmic Settlement Mechanism

Section 134B

The Bill proposes to introduce this new section, to empower the Federal Board of Revenue (FBR), to establish a digitally operated **Algorithmic Settlement Mechanism (i.e. a technology-driven framework, whereby FBR may use automated systems and data analytics to identify discrepancies in taxpayers' returns and generate settlement offers)** for resolving tax disputes and discrepancies before the issuance of assessment or amended assessment orders under sections 121, 122, or 122E.

The mechanism will enable taxpayers to voluntarily settle identified tax issues, through acceptance of a system-generated settlement offer and revision of their return. These offers will be intended to facilitate early resolution of tax matters, without the need for formal assessment proceedings.

The Settlement of Offer will be determined on the basis of factors such as:

- The stage of the proceedings;
- The taxpayer's compliance history;
- The nature and severity of the discrepancy;
- Whether the issue relates to valuation, legal interpretation, unexplained income/assets, or concealment; and
- Any other criteria considered relevant by the Board.

A taxpayer wishing to avail the mechanism must, within ten days of the offer;

1. Accept the settlement offer through IRIS;
2. Deposit the specified settlement amount; and
3. File a revised return incorporating the settled amount.

Upon compliance and accepting the offer, the proceedings relating to the issues covered by the settlement offer will stand concluded.

Authorised Shipping Agent & Non Resident Ship Owner or Charterer

Section 2(6A) & Section 143

The Bill proposes to introduce a new concept of **Authorised Shipping Agent** according to which a person conducting the following activities while acting on behalf of a non-resident ship owner, charterer, or operator will be recognized as an Authorised Shipping Agent with associated tax responsibilities and liabilities.

The activities include:

- a. Responsibility for the receipt, collection, control, accounting, custody, or disposal of freight and related receipts connected with a vessel or voyage;
- b. Handling of shipping documentation, cargo manifests, reporting obligations, or freight-related administration; and
- c. Furnishing of the return required under Section 143 in respect of the relevant vessel or voyage.

Such person shall be treated as a representative of the non-resident under Section 172 and will become jointly and severally liable for tax, compliance obligations, assessments, proceedings, and recovery actions relating to the vessel or voyage. **As a result, FBR will be empowered to pursue recovery and enforcement actions** directly against the authorized shipping agent where necessary.

By proposing to introduce this concept in Section 143, a comprehensive statutory framework will be established for both Non-resident ship owner/ charterer and their representative under which:

- Authorised Shipping Agents become **recognized filers** under Section 143;
- Only one consolidated return may be filed for each vessel or voyage;
- Filing authority is restricted to the Master of the Ship or the Authorised Shipping Agent;
- Authorised Shipping Agents become jointly and severally liable for tax obligations;
- Electronic confirmation of filing and tax payment becomes a prerequisite for prescribed regulatory clearances.

The amendments significantly strengthen FBR's ability to enforce tax compliance in respect of non-resident shipping activities conducted through local representatives.

Tax on Deemed Income (Omitted)

Section 7 E

Section 7E was one of the most debated provisions introduced in recent years. The provision sought to tax ownership of certain immovable properties by deeming a prescribed percentage of the property's value as taxable income, regardless of whether the property generated actual income or not

The omission of this section is consequential to the order by the Federal Constitutional Court and is likely to be welcomed by property owners, investors, and taxpayers who viewed the provision as imposing tax without corresponding realization of income.

Tax on Certain Payments by Life Insurance Business

Section 7 G and Section 151B

The proposed section introduces tax for amounts received by individuals from life insurance and family takaful products, where the payout exceeds the aggregate premiums or contributions paid, such excess amount will be treated as taxable gain and taxed at the below rates as final tax:

1. 15% tax, where payout or benefit is made within one year of policy issuance.
2. 10% tax, where payout or benefit is made after one year but before seven years of policy issuance.

The proposed tax shall not apply where the payout is received:

- (a) Due to the death of the insured person or takaful participant.
- (b) on account of disability of the insured or participant.

Such amount will be withheld by the life insurance companies and takaful operators under the proposed section 151B on the gross amount of payout or benefit reduced by the aggregate amount of premiums or contributions paid by the policy holder or participant.

Tax Credit for Integration**Section 64D**

A new Section 64D is proposed to be inserted in the Income Tax Ordinance, 2001 to provide a **tax credit for taxpayers who integrate their systems with the Federal Board of Revenue (FBR) computerized platform** for real-time monitoring, sales recording, and reporting purposes.

Such taxpayers will be entitled to a **tax credit equal to 10% of the actual investment** made in eligible electronic resources, including:

- Hardware;
- Software;
- Equipment; and
- Other electronic components used exclusively for FBR integration.

The tax credit will be available in the tax year in which the system is installed, integrated, and configured with FBR's computerized system with the following restrictions:

- The tax credit is limited strictly to **capital investment costs**; operational and maintenance expenses are not eligible.
- The credit can only be adjusted against **normal tax payable under Division I or Division II of Part I of the First Schedule**.

Introduction of National Faceless Tax Administration Framework**Creation of National Faceless Centre****Section
2(35)(1A)
Section 227D**

The Finance Bill, 2026 proposes the establishment of a **“National Faceless Centre”** to handle proceedings under the Income Tax Ordinance, 2001 in a fully digital and faceless manner. The Centre will comprise a Director General, Inland Revenue officers, and support staff, with its jurisdiction, powers, and internal structure to be determined by the FBR.

A key feature of the framework is the use of algorithm-based systems for the automated allocation of functions and jurisdiction, alongside the creation of separate wings for audit, assessment, and quality control to ensure segregation of responsibilities within the same case.

All interactions between the tax authorities and taxpayers falling under the jurisdiction of the **“National Faceless Centre”**, as well as inter-departmental communication, will be conducted exclusively through electronic means.

Faceless Jurisdiction of Income-Tax Authorities**Section 209B**

As proposed by the Finance Bill, 2026, Inland Revenue officers working within the National Faceless Centre will exercise functions and powers under the Income Tax Ordinance, 2001 through algorithm-based allocation of cases. Jurisdiction may be assigned on an exclusive or concurrent basis for specified persons, classes of persons, or tax periods, as determined through systems developed by the FBR.

The Board is empowered to transfer cases between the faceless centre and field formations, including reassignment to jurisdictional officers, either on its own motion or on recommendation of the Chief Commissioner.

The framework also permits physical verification of taxpayers' business operations, assets, and financial information through field officers, based on directions issued by the faceless centre and allocated through algorithmic systems.

A key feature of the regime is the confidentiality of the identity of the officer exercising jurisdiction, which will not be disclosed to the taxpayer or any representative. Additionally, proceedings, notices, or orders cannot be challenged solely based on lack of territorial jurisdiction, delegation defects, or non-disclosure of the officer's identity. This would open doors for legal debate and litigation if such immunity is approved by the lawmakers.

Faceless Audit and Assessment

Section 122E

The mechanism of faceless audit, assessment, and related proceedings has been proposed for such persons, cases, or income categories as may be specified by the Federal Board of Revenue. The mechanism enables the conduct of audits and assessments in a fully digital and prescribed faceless manner, extending the applicability of existing audit provisions to this new system.

Where hearings or recording of statements are required during the audit process, these will be conducted through electronic hearings (E-hearings). **However, the identity of the officer, including facial and voice identity, conducting such hearing shall be kept confidential.**

Overall, the above provisions aim to digitize audit and assessment functions, reduce direct interaction between taxpayers and tax officers, and standardize proceedings through centralized and technology-driven processes, while raising considerations around transparency and the taxpayer's ability to identify the decision-making authority.

Faceless Appeals

Section 129A

In addition to the above, the Finance Bill, 2026 also proposes to introduce the mechanism of faceless appeals to be processed through the National Faceless Center with same purpose adopting the same mechanism.

Special Provision Relating to Capital Gain Tax

Section 100B

Amendments are proposed in Section 100B of the Income Tax Ordinance, 2001 to revise the scope of entities covered under the capital gains computation mechanism administered through the National Clearing Company of Pakistan Limited (NCCPL), and to clarify the treatment of capital gains for specific financial institutions.

The proposed amendment excludes non-banking finance companies, modaraba and companies in respect of debt securities from the scope of this section. For **banking companies, insurance companies, and mutual funds**, NCCPL will continue to compute and determine capital gains in accordance with the mechanism prescribed under **Section 37A**. However, These entities will remain responsible for **depositing tax on capital gains under the applicable provisions of the Income Tax Ordinance**.

Independent case Scrutiny Committee

Section 133A

A new Section 133A is proposed to be inserted in the Income Tax Ordinance, 2001 to establish an **Independent Case Scrutiny Committee (ICSC)** to regulate and approve tax litigation initiated by the Federal Board of Revenue (FBR) before superior courts.

The provision introduces a mandatory internal approval mechanism before the Commissioner Inland Revenue can file references, appeals, or reviews in higher judicial forums.

This Committee shall consist of:

1. A **retired Judge** of the Supreme Court, Federal Constitutional Court, or High Court (Chairman);
2. An **Advocate with at least 15 years of experience** in tax and commercial litigation (from a panel notified by FBR); and
3. A **senior serving or retired FBR officer (BS-20 or above)**.

The Committee will examine proposed litigation and determine whether the case merits further appeal or reference. Where, the **recommendations shall be binding** on the Commissioner Inland Revenue.

Withholding Tax on Revenues Received from Social Media Platforms

Section 154B

The proposed section introduces a **withholding tax mechanism on income earned from social media platforms**, collected through banking and financial intermediaries at the time of credit or receipt of funds.

The provision applies to revenues earned by individuals or entities from monetization of digital content across platforms such as YouTube, Facebook, Instagram, TikTok, and similar services through any inward remittance, transfer or credit received through banking channels including through intermediaries such as online payment service providers or digital finance platforms.

For **resident person** such tax (**5%**) will be **minimum tax**, whereas, for **non-resident person** such tax (**5%**) will be **final tax**.

Re-Audit

Section 177(6B)

The amendment empowers the Commissioner, during audit proceedings, to require a taxpayer to obtain **Specialized Independent Verification of Financial Records (i.e. re-audit of financial statements, inventory valuation or actuarial valuation)**, where justified by complexity or risk factors.

This power may be exercised where the Commissioner forms an opinion, based on:

- Nature and complexity of accounts;
- Volume of transactions;
- Doubts regarding correctness of accounts;
- Multiplicity of transactions;
- Specialized nature of business activity; and
- Interests of revenue,

and after:

- Providing the taxpayer a reasonable opportunity of being heard; and
- Obtaining prior approval of the **Chief Commissioner**

Offences and penalties

Section 182

The Bill proposes a comprehensive revision of the penalty structure under Section 182 by enhancing the quantum of penalties across multiple categories of non-compliance and introducing stricter enforcement mechanisms for various statutory obligations.

Existing	Proposed
Previously, "tax payable" for calculating penalties was based only on the tax assessed on current year income under the normal assessment process. It did not consider what the taxpayer had paid in earlier years.	The Bill changes this position and provides that "tax payable" will now be taken as the higher of: <ul style="list-style-type: none"> • tax assessed for the current year, OR • the highest tax paid in any of the last three years.
There was no specific heavy penalty for failure to install or use electronic systems or for not integrating business data with FBR systems. Similarly, obligations of government bodies or organisations to share data were not backed by strong personal penalties.	The Bill introduces strict penalties for: <ul style="list-style-type: none"> • Not installing or using FBR-prescribed electronic systems • Tampering with or bypassing such systems • Not integrating IT systems with FBR database • Not sharing required data or appointing focal persons Penalty: <ul style="list-style-type: none"> • Rs. 1,000,000 for first default • Rs. 2,000,000 for repeated default In some cases, the penalty will be imposed personally on the principal officer, not just the company.

The Bill proposes amendments in Serial No. 8 of Section 182, whereby the monetary penalties for non-compliance with notices for production of record or documents are proposed to be significantly enhanced.

Under the current framework where a taxpayer, without reasonable cause, fails to produce records or documents in compliance with a notice. For failure to comply with the first notice, a penalty of Rs. 25,000 is imposed. In case of continued non-compliance Rs. 50,000 and non-compliance of third notice, a penalty of Rs. 100,000 is levied.	Under the proposed framework, the penalty for failure to produce records on receipt of the first notice is increased to Rs. 100,000, while non-compliance on the second notice attracts a penalty of Rs. 200,000. In case of continued failure on the third notice, the penalty is further enhanced to Rs. 300,000
Under Serial No. 10, omission of material information resulting in a false or misleading statement attracts a penalty of Rs. 25,000 or 50% of tax shortfall, whichever is higher, with relief where a reasonably arguable position is taken	The Bill proposes a substantial increase in penalties across these provisions. Under Serial No. 10, the fixed penalty is enhanced from Rs. 25,000 to Rs. 500,000, and the percentage-based penalty from 50% to 100% of tax shortfall, increasing liability for false or misleading statements.
Under Serial No. 12, concealment of income or furnishing inaccurate particulars attracts a penalty of Rs. 100,000 or tax evaded, whichever is higher, subject to protection where claims are not knowingly false.	Under Serial No. 12, the fixed penalty is increased from Rs. 100,000 to Rs. 1,000,000, while the tax evasion-based penalty remains applicable, strengthening consequences for concealment or inaccurate reporting.
Under Serial No. 15, failure to collect, deduct, or deposit tax attracts a penalty of Rs. 40,000 or 10% of tax, whichever is higher.	Under Serial No. 15, the penalty is raised from Rs. 40,000 to Rs. 500,000, and the percentage-based rate from 10% to 40%,

	with an additional Rs. 500,000 personal penalty on the Principal Officer, extending liability to individuals in case of company defaults.
Under Serial No. 35, a company or association of persons that fails to provide complete particulars in its return, furnishes blank or incomplete annexures, statements or documents, or attaches incomplete records where required, is liable to a penalty of Rs. 500,000 or 10% of the tax chargeable on taxable income, whichever is higher.	The Bill proposes to extend the scope of Serial No. 35 to all persons, and clarifies that illegible, scanned, or inaccessible audited financial statements shall be treated as blank or incomplete submissions, thereby attracting the prescribed penalty of Rs. 500,000 or 10% of the tax chargeable, whichever is higher.
-	The Bill proposes insertion of a new penalty provision at Sr. 36 whereby a person claiming tax credit in excess of the amount actually deducted and deposited by the withholding agent shall be liable to a penalty equal to the amount of excess credit claimed.
In existing framework of Section 182A— a person who fails to file a return of income within the due date shall be excluded from the ATL and may only be restored upon filing the return and payment of a surcharge of Rs. 20,000 (company), Rs. 10,000 (AOP), or Rs. 1,000 (individual).	The Bill proposes to increase the ATL restoration surcharge to Rs. 100,000 (company), Rs. 50,000 (AOP), and Rs. 25,000 (individual), thereby resulting in significantly increasing the cost of late return filing.

Directorate General (Field Compliance), Inland Revenue

Section 228A

The proposed amendment will formally create a new enforcement and compliance directorate under FBR titled the **Directorate General (Field Compliance), Inland Revenue**.

The Directorate will comprise of:

- A Director General;
- Directors;
- Additional Directors;
- Deputy Directors;
- Assistant Directors; and
- Other officers as appointed by FBR through official notification.

The functions and jurisdiction of this Directorate will be defined by the Board.

FIRST SCHEDULE

COMPARISON OF RATES OF TAX APPLICABLE FOR SALARIED INDIVIDUALS:

S. No.	Taxable Income	Tax Rate (%)	Proposed Tax for Individuals (Rs.)	Existing Tax (Rs.)	Tax Incidence (Rs.)
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. 6,000/-	NIL
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. 6,001/- to Rs. 116,000/-	NIL
4	Where taxable income exceeds Rs. 2,200,000/- but does not exceed Rs. 3,200,000/-	Rs. 116,000/- + 20% of the amount exceeding Rs. 2,200,000/-	Rs. 116,001/- to Rs. 316,000/-	Rs. 116,001/- to Rs. 346,000/-	Rs. 0/- to Rs. 30,000/-
5	Where taxable income exceeds Rs. 3,200,000/- but does not exceed Rs. 4,100,000/-	Rs. 316,000/- + 25% of the amount exceeding Rs. 3,200,000/-	Rs. 316,001/- to Rs. 541,000/-	Rs. 346,001/- to Rs. 616,000/-	Rs. 30,000/- to Rs. 75,000/-
6	Where taxable income exceeds Rs. 4,100,000/- but does not exceed Rs. 5,600,000/-	Rs. 541,000/- + 29% of the amount exceeding Rs. 4,100,000/-	Rs. 541,001/- to Rs. 976,000/-	Rs. 616,001/- to Rs. 1,141,000/-	Rs. 75,000/- to Rs. 165,000/-
7	Where taxable income exceeds Rs. 5,600,000/- but does not exceed Rs. 7,000,000/-	Rs. 976,000/- + 32% of the amount exceeding Rs. 5,600,000/-	Rs. 976,001/- to Rs. 1,424,000/-	Rs. 1,141,001/- to Rs. 1,631,000/-	Rs. 165,000/- to Rs. 207,000/-
8	Where taxable income exceeds Rs. 7,000,000/-	Rs. 1,424,000/- + 35% of the amount exceeding Rs. 7,000,000/-	Rs. 1,424,001/- and above	Rs. 1,631,001/- and above	Rs. 207,000/- and above

The bill proposes that Surcharge payable @ 9% by Salaried Individual having taxable income exceeding Rs. 10 Million in a tax year shall be abolished.

COMPARISON OF RATE OF SUPER TAX APPLICABLE U/S 4C

S. No	Taxable Income	Existing Tax	Persons other than Banking, Oil & Gas and Fertilizer companies (Proposed)	Tax Incidence (Tax Relief)	Banking, Oil & Gas and Fertilizer companies (Proposed)	Tax Incidence (Tax Burden)
1	Rs. 150 million to Rs. 200 million	1%	0%	Rs 1.5 million to Rs 2 million	10%	Rs 13.5 million to Rs 18 million
2	Rs. 200 million to Rs. 250 million	1.5%	0%	Rs 3 million to Rs 3.75 million	10%	Rs 17 million to Rs 21.25 million
3	Rs. 250 million to Rs. 300 million	2.5%	0%	Rs 6.25 million to Rs 7.5 million	10%	Rs 18.75 million to Rs 22.5 million
4	Rs. 300 million to Rs. 350 million	3.5%	0%	Rs 10.50 million to Rs 12.25 million	10%	Rs 19.5 million to Rs 22.75 million
5	Rs. 350 million to Rs. 400 million	5.5%	0%	Rs 19.25 million to Rs 22 million	10%	Rs 15.75 million to Rs 18 million
6	Rs. 400 million to Rs. 500 million	7.5%	0%	Rs 30 million to Rs 37.5 million	10%	Rs 10 million to Rs 12.5 million
7	Exceeding Rs. 500 million	10%	8%	Incentive of Rs 10 million and above	10%	Consistent

Tax Deduction on Capital Gains on Disposal of Securities by Mutual Funds or Collective Investment Schemes

The bill proposes to add word “**Charge And**” in the Third Proviso, where Mutual Fund or a Collective Investment Scheme or REIT Scheme, are required to deduct Capital Gain Tax on disposal of securities. From the outset, the intention seems to make the rate of deduction and chargeability same i.e., 15% or 25%, as the case may be. However, it will be further clarified when Finance Act is passed and clarification for such amendment is issued by FBR.

Rate of Payment of Services (Reduce Rates)

S.No.	Description	Existing	Proposed
1	Services such as transport service, cargo, airfreight services, manpower services, IT enabled services etc.	6%	7%
2	Independent professional service provided by doctors, lawyers, architect, accountants, software engineers and developers working independently.	15%	15%
3	electronic and print media in case of advertising services	1.5%	1.5%
4	in case of services not specified	15%	14%

Gain Arising on Disposal of Certain Debt Securities

The bill proposes that withholding tax u/s. 151A for the said debt securities to be enhanced from 15% to 20%.

Export of Goods

The bill proposes to enhance withholding tax rate from 1% to 1.25% for export of goods and services obtained by the Exporter for various services under Section 153 (2).

Export of Services (IT or IT Enabled Services)

The bill proposes that reduced rate of 0.25% on IT or IT enabled services be extended up to Fiscal Year 2029 from the existing time limited of Fiscal Year 2026.

Advance Tax on Sale or Transfer of Immovable Property

The bill proposes that in Part IV of Division X table be omitted and flat rate of tax u/s. 236C shall be 2.75% of the gross amount of the consideration received.

Advance Tax on Purchase of Immovable Property

The bill proposes that in Division XVIII table be omitted and flat rate of tax u/s. 236K shall be 1.25% of the fair market value of the immovable property.

Advance Tax on Amount Remitted Abroad Through Credit, Debit or Prepaid Cards

The bill proposes to reduce rate of withholding tax u/s. 236Y on amount remitted through Credit, Debit or Prepaid Card from 5% to 0.5%.

SECOND SCHEDULE

Reduction in Tax Rate for Person Rendering Terminal or Port Services

The bill proposes for a person rendering terminal or port services that the withholding tax rate shall be 12% of the gross amount.

Change in Minimum Tax Rate in Certain Cases

The bill proposes minimum tax u/s. 113(1) in the case of distributors, dealers, sub-dealers, wholesalers of Pack Foods, Fertilizers, locally manufacture of Mobile phones, sugar & electronics **shall be 0.5% from the existing 0.25%**, subject to the condition that beneficiaries of reduced rate are appearing on ATL issued under provision of the Sales Tax Act and Income Tax Ordinance.

Exemption From Specific Provisions for Non-Resident Investors.

The bill proposes to provide relief to non-resident investors maintaining FCVA, FCBVA, NRVA, or NRBVA accounts by exempting them from return filing and NTN registration requirements, provided their Pakistan-source income is limited to specified passive investment income. It is aimed at encouraging foreign investment in Pakistan through banking channels and capital markets.

SALES TAX

PROPOSED AMENDMENTS IN THE SALES TAX ACT, 1990

Production Monitoring System

Section 2(22)(1A)

The Federal Government has through its Finance Bill, 2026 proposed a definition of "**Production Monitoring System**", encompassing any technology or mechanism used to monitor the production and sale of goods, whether in real time or otherwise. The proposed amendment empowers the FBR to prescribe and implement such systems from time to time, thereby establishing a legal framework for the deployment of digital monitoring and tracking solutions. The measure is aimed at enhancing transparency, strengthening tax compliance, and enabling more effective oversight of manufacturing and sales activities.

Tier-1 Retailer

Section 2(43A)

The Finance Bill, 2026 proposes to revise the definition of "**Tier-1 Retailer**" rationalizing its scope. Wholesaler-cum-Retailers are now proposed to be qualified as Tier-1 Retailers only where their turnover exceeds Rs. Two Hundred Million.

The amendment further proposes a new criterion whereby retailers with turnover exceeding Rs. 200 million, determined either through declaration or based on turnover worked back from tax deductions under sections 236G and 236H of the Income Tax Ordinance, 2001, will be treated as Tier-1 Retailers.

Currently, one of the criteria to qualify as a "Tier-1 Retailer" is that a retailer whose tax deductions under the above referred provisions of the Income Tax Ordinance, 2001 exceeds a specific threshold. This is now proposed to be omitted and effectively be replaced by the above discussed turnover-based criteria.

Additionally, the Finance Bill, 2026 seeks to omit those retailers who are accepting payments through debit or credit cards or any other digital payment mechanism.

Time of Supply

Section 2(44)

The Finance Bill, 2026 proposes to clarify the meaning of the phrase "**Goods are Delivered or Made Available**" for the purposes of determining the time of supply under the Sales Tax Act, 1990. Under the proposed explanation, goods will be regarded as delivered or made available once they are ready for dispatch from the supplier's business premises, including a factory, warehouse, godown, branch, or any other storage location.

The amendment appears intended to remove ambiguity regarding the point at which sales tax liability arises and to prevent disputes over whether supply occurs upon physical receipt by the customer or at an earlier stage. As a result, the time of supply may be triggered as soon as goods are made ready for dispatch, potentially accelerating the point at which sales tax becomes due.

Time and Manner of Payment for Steel Melters, Re-rollers and Composite Units

Section 6(2)

The Finance Bill, 2026 proposes to empower the Federal Board of Revenue to collect sales tax from steel melters, steel re-rollers, and composite units based on electricity consumption at rates to be prescribed through notification. The tax collected under this mechanism will remain adjustable against the actual sales tax liability of the taxpayer.

Furthermore, any excess tax paid under the prescribed regime will be eligible for monthly refund through the FBR's automated refund system, provided the taxpayer is integrated with the Board's prescribed production monitoring and digital invoicing systems. The proposal appears aimed at reintroducing the sales tax regime for the steel sector which was previously in place and substituted.

While the introduction of an automated monthly refund mechanism is intended to alleviate cash flow pressures arising from excess tax collection, its effectiveness will largely depend on the timely processing and disbursement of refunds. Historically, delays in the issuance of tax refunds have remained a significant challenge in Pakistan's tax administration, and taxpayers may therefore closely monitor the practical implementation of the proposed mechanism.

Re-audit of accounts

Section 25

The Finance Bill, 2026 proposes to empower the Commissioner, during audit proceedings under section 25, to require a registered person after providing an opportunity of being heard and with prior approval of the Chief Commissioner to undertake a re-audit of accounts by a nominated accountant or revaluation of inventory by a nominated cost accountant. This requirement may be imposed where the Commissioner considers it necessary due to factors such as the complexity or volume of accounts, doubts regarding correctness, multiplicity of transactions, or the specialized nature of the taxpayer's business.

Further, upon completion of the audit, the Inland Revenue officer will be required to issue a formal audit report containing observations and findings after obtaining the taxpayer's explanation on all identified issues.

Overall, the amendment significantly strengthens audit oversight by enabling externally conducted re-audits and structured reporting, thereby enhancing the evidentiary depth of audit proceedings while increasing compliance obligations for taxpayers under the audit process. However, the discretionary power of the Commissioner may pave way for unnecessary re-scrutiny of accounts.

Directorate General (Field Compliance) Inland Revenue

Section 30DDDB

The Finance Bill, 2026 proposes the establishment of a Directorate General (Field Compliance) Inland Revenue comprising a Director General and such hierarchy of officers, including Directors, Additional Directors, Deputy Directors, Assistant Directors, and other staff as may be appointed by the Federal Board of Revenue through notification. The Board is empowered to define the functions, jurisdiction, and operational scope of the Directorate General and its officers.

The amendment appears aimed at strengthening field-based compliance and enforcement capacity by creating a dedicated institutional structure with clearly defined powers, while allowing flexible allocation of jurisdiction and functions through FBR notifications.

Introduction of National Faceless Tax Administration Framework

National Faceless Centre

Section 2(17A)

Section 32C

The Finance Bill, 2026 proposes the establishment of a **"National Faceless Centre"** to handle proceedings under the Sales Tax Act, 1990 in a fully digital and faceless manner. The Centre will comprise a Director General, Inland Revenue officers, and support staff, with its jurisdiction, powers, and internal structure to be determined by the FBR.

A key feature of the framework is the use of algorithm-based systems for the automated allocation of functions and jurisdiction, alongside the creation of separate wings for audit, assessment, and quality control to ensure segregation of responsibilities within the same case.

All interactions between the tax authorities and taxpayers falling under the jurisdiction of the “**National Faceless Centre**”, as well as inter-departmental communication, will be conducted exclusively through electronic means.

Faceless Jurisdiction

Section 30AA

As proposed by the Finance Bill, 2026, Inland Revenue officers working within the National Faceless Centre will exercise functions and powers under the Sales Tax Act, 1990 through algorithm-based allocation of cases. Jurisdiction may be assigned on an exclusive or concurrent basis for specified persons, classes of persons, or tax periods, as determined through systems developed by the FBR.

The Board is empowered to transfer cases between the faceless centre and field formations, including reassignment to jurisdictional officers, either on its own motion or on recommendation of the Chief Commissioner.

The framework also permits physical verification of taxpayers’ business operations, assets, and financial information through field officers, based on directions issued by the faceless centre and allocated through algorithmic systems.

A key feature of the regime is the confidentiality of the identity of the officer exercising jurisdiction, which will not be disclosed to the taxpayer or any representative. Additionally, proceedings, notices, or orders cannot be challenged solely based on lack of territorial jurisdiction, delegation defects, or non-disclosure of the officer’s identity. This would open doors for legal debate and litigation if such immunity is approved by the lawmakers.

Faceless Audit and Assessment

Section 11H

The mechanism of faceless audit, assessment, and related proceedings, including actions under has been proposed for such persons, cases, or income categories as may be specified by the Federal Board of Revenue. The mechanism enables the conduct of audits and assessments in a fully digital and prescribed faceless manner, extending the applicability of existing audit provisions to this new system.

Where hearings or recording of statements are required during the audit process, these will be conducted through electronic hearings (E-hearings).

Overall, the above provisions aim to digitize audit and assessment functions, reduce direct interaction between taxpayers and tax officers, and standardize proceedings through centralized and technology-driven processes, while raising considerations around transparency and the taxpayer’s ability to identify the decision-making authority.

Faceless Appeals

Section 45C

In addition to the above, the Finance Bill, 2026 also proposes to introduce the mechanism of faceless appeals to be processed through the National Faceless Center.

Overall, the above provisions aim to digitize audit and assessment functions, reduce direct interaction between taxpayers and tax officers, and standardize proceedings through centralized and technology-driven processes, while raising considerations around transparency and the taxpayer's ability to identify the decision-making authority.

Offences and Penalties			Section 33
S.No.	Offences and Penalties	Existing	Proposed Amendment
1.	Where any person fails to furnish a return within the due date.	Such person shall pay a penalty of ten thousand rupees : Provided that in case a person files a return within ten days of the due date, he shall pay a penalty of two hundred rupees for each day of default.	Such person shall pay a penalty of fifty thousand rupees : Provided that in case a person files a return within ten days of the due date, he shall pay a penalty of two thousand rupees for each day of default.
2.	Any person who fails to issue an invoice when required under this Act.	Such person shall pay a penalty of five thousand rupees or three per cent of the amount of the tax involved, whichever is higher.	Such person shall pay a penalty of twenty-five thousand rupees or five per cent of the amount of the tax involved, whichever is higher.
3.	Any person who unauthorizedly issues an invoice in which an amount of tax is specified.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher.	Such person shall pay a penalty of fifty thousand rupees or ten per cent of the amount of the tax involved, whichever is higher.
5.	Any person who fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Act or rules or orders made there under.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher: Provided that, if the amount of tax or any part thereof is paid within ten days from the due date, the defaulter shall pay a penalty of five hundred rupees for each day of default:	Such person shall pay a penalty of fifty thousand rupees or five per cent of the amount of the tax involved, whichever is higher: Provided that, if the amount of tax or any part thereof is paid within ten days from the due date, the defaulter shall pay a penalty of five thousand rupees for each day of default:
7.	Any person who is required to apply for registration under this Act fails to make an application for registration before making taxable supplies.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher:	Such person shall pay a penalty of fifty thousand rupees or five per cent of the amount of tax involved, whichever is higher:
8.	Any person who fails to maintain records required	Such person shall pay a penalty of ten thousand	Such person shall pay a penalty of fifty thousand

	under this Act or the rules made there under.	rupees or five per cent of the amount of tax involved, whichever is higher.	rupees or five per cent of the amount of tax involved, whichever is higher.
25.	Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required under law within the stipulated time as notified by the Board.	Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of two months after imposition of penalty as aforesaid , his business premises shall be liable to be sealed by an officer of Inland Revenue in the manner as may be prescribed.	Such person shall be liable to pay a penalty up to one million rupees, if he continues to commit the offence after one month of the imposition of first penalty, he shall be liable to second penalty of up to five million rupees. Notwithstanding, his business premises shall be liable to be sealed with or without imposition of penalty by an officer of Inland Revenue in the manner as may be prescribed.

Following Serials are proposed to be added through the Finance Bill, 2026:

S.No.	Offences	Proposed
29.	Where any registered person issues a tax invoice for a transaction which is simulated or fictitious, or for which no actual supply of goods or services has taken place, as established after notice and adjudication.	<p>(i) Such person shall pay a penalty equal to the face value of the simulated or fictitious invoice or invoices.</p> <p>(ii) The Board shall, after issuance of a show cause notice and an opportunity of being heard, place the name and registration number of such person on a Publicly Accessible Simulated Invoice Issuers Register maintained on the Board's computerized system.</p> <p>(iii) Any input tax credit claimed by a counterparty on the basis of invoices issued by a person on the simulated invoice issuers register shall be reversed automatically and treated as inadmissible with effect from the date of listing.</p> <p>Listing on the above register shall be removed upon full payment of the penalty and default surcharge, and upon satisfactory demonstration of compliance.</p>
30.	Where the Board's computerized system identifies that input tax credit claimed by a registered person in respect of any tax period cannot be matched to	Such person shall pay a penalty of twenty per cent of the unmatched input tax amount, in addition to reversal of the inadmissible credit and payment of default surcharge under section 34.

	corresponding output tax declared by the supplier for the same or proximate tax period, and such mismatch is confirmed after issuance of notice and provision of opportunity of being heard.	
31.	Where a registered person has claimed input tax credit on the basis of invoices issued by a person who is subsequently placed on the simulated invoice issuers register under S. No. 29, and such registered person fails to reverse the inadmissible input tax credit within sixty days of the listing of the invoice issuer on the register.	Such person shall pay a penalty of twenty per cent of the unreversed input tax credit, in addition to the reversal of such credit and default surcharge under section 34.

Sale of Confiscated Goods by Auction

Section 40F

The Finance Bill, 2026 proposes that goods liable to confiscation under the Sales Tax Act, 1990, once confiscated, shall be disposed of through public auction, including via electronic auction mechanisms as prescribed by the FBR. The process will be subject to compliance with the Public Procurement Regulatory Authority Rules, 2014, thereby aligning disposal procedures with formal procurement standards.

The sale proceeds will be distributed in a defined priority order: first, to cover the expenses of the sale; second, to discharge any outstanding sales tax liabilities, other taxes, penalties, and surcharges owed to the Federal Government; and finally, any remaining balance will be payable to the owner of the goods upon application within six months. If unclaimed within this period, the amount will be transferred to the government treasury. In cases where Goods Declaration has been filed, the importer's share in the proceeds will be capped at the declared value of the goods.

This proposed amendment seeks to broaden the enforcement powers of the Federal Board of Revenue and recover any loss of revenue to the Government Exchequer.

Algorithmic Settlement Mechanism

Section 47AA

The Bill proposes the establishment of a digitally operated algorithmic settlement mechanism enabling the settlement of tax disputes at any stage prior to the issuance of orders under sections 11D or 11E of the Sales Tax Act, 1990.

Under this system, the FBR may generate automated settlement offers based on predefined and system-driven criteria, including the stage of proceedings, taxpayer compliance history, nature of discrepancies, and other relevant factors.

A registered person may opt to accept the system-generated offer within ten days through the IRIS portal and deposit the proposed amount, upon which the relevant issues raised in notices or audit proceedings will stand settled and abated.

However, the acceptance of such an offer will be limited in scope and will not preclude proceedings relating to other issues or discrepancies not covered under the settlement, nor will it affect tax matters pertaining to other periods.

The mechanism appears designed to facilitate faster dispute resolution through data-driven, automated settlement offers and use of Artificial Intelligence. However, a more forward-looking approach would have been to deploy such mechanisms while conducting audits and assessments rather than using these tools for settlement.

Independent Case Scrutiny Committee

Section 47AAA

The Finance Bill, 2026 proposes that the filing of references before High Courts or appeals and reviews before the Federal Constitutional Court or Supreme Court in tax matters may only be initiated by the Commissioner Inland Revenue after obtaining prior approval from an Independent Case Scrutiny Committee constituted by the FBR. This introduces an internal pre-litigation approval filter for tax litigation at higher judicial forums.

The Committee will comprise a retired judge of the Supreme Court, Federal Constitutional Court, or High Court as Chair, an experienced tax and commercial litigation advocate, and a senior serving or retired FBR officer. The Committee will be empowered to evaluate cases or categories of cases decided by the Appellate Tribunal or High Courts and provide binding recommendations regarding further litigation.

Its decisions will be binding on the Commissioner Inland Revenue, and members will be granted legal protection against suits or prosecution in respect of actions taken under this framework. The FBR will determine the Committee's procedures, powers, and remuneration.

Overall, the mechanism introduces a centralized litigation screening process intended to ensure consistency and reduce unnecessary or low-merit tax litigation, while also institutionalizing external legal and judicial oversight at the pre-appeal stage.

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

The Bill proposes to insert new entries in the Third Schedule to the Sales Tax Act, 1990, thereby bringing additional categories of retail-packed consumer goods within the ambit of taxation at their market retail price.

It has been clarified that goods already subject to a sales tax rate exceeding 18% will continue to be taxed at that higher rate even after their inclusion in the Third Schedule.

Sr. No.	Description	PCT / Heading
56.	Vegetable and animal fats and oils, sold in retail packing.	Respective headings
56.	Sugar confectionary, sold in retail packing.	Respective headings
57.	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne,	19.02

	gnocchi, ravioli, cannelloni; couscous, whether or not prepared, sold in retail packing.	
58.	Sauces, ketchup and other preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard, sold in retail packing.	Respective headings
59.	Fermented beverages, sold in retail packing.	Respective headings
60.	Petroleum jelly, paraffin wax, microcrystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes, and similar products obtained by synthesis or other processes, whether or not colored, sold in retail packing.	27.12
61.	Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles put up in forms or packings for retail sale.	38.08
62.	Plates, sheets, film, foil, tape, strip and other flat shapes of plastics, whether or not in rolls, sold in retail packing.	39.19, 39.20, 39.21
63.	Tableware, kitchenware, plastic furniture, storage items, hygienic or toilet articles, and allied household articles of plastics, sold in retail packing.	Chapter 39
64.	Trunks, suit-cases, vanity-cases, executive-cases, briefcases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling bags, insulated food or beverages bags, toilet bags, rucksacks, handbags, shopping bags, wallets, purses, map-cases, cigarette-cases, tobacco-pouches, tool bags, sports bags, bottle-cases, jewelry boxes, powder-boxes, cutlery cases and similar containers, of leather or composition leather, plastics, textile materials, vulcanised fiber or paperboard, or wholly or mainly covered with such materials, put up for retail sale.	42.02
65.	Footwear (all types).	Respective headings
66.	Bathroom accessories and bath items, sanitary ware including taps, showerheads, fittings, mixers, valves and other washroom accessories and fixtures, sold in retail packing.	Respective headings
67.	Crockery items, sold in retail packing.	Respective headings
68.	Car and automobile accessories, sold in retail packing.	Respective headings
69.	Milk, fat-filled milk, preparations suitable for infants, and other milk products, sold in retail packing.	Respective headings
70.	Preparations for use on hair, sold in retail packing.	33.05
71.	Pre-shave, shaving, after-shave preparations, personal deodorants, bath preparations, depilatories, perfumery, cosmetics or toilet preparations, and prepared room deodorisers, sold in retail packing.	33.07
72.	Toilet or facial tissue stock, towel or napkin stock and similar paper for household or sanitary use, cellulose wadding and webs of cellulose fibres, in rolls or sheets, put up for retail sale.	4803.0000, 48.18
73.	Jams, fruit jellies, marmalades, fruit or nut puree and pastes, and other fruit and vegetable preparations, sold in retail packing.	20.07, 20.08
74.	Household utensils, including stainless steel, aluminum, melamine and other utensils and tableware.	Respective headings

75.	Ceramic products including wash basins, commodes, tiles and allied ceramic sanitary products, put up for retail sale.	69.10
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THE SIXTH SCHEDULE (EXEMPTED SUPPLIES)

Table-I – (Imports or Supplies)

The Finance Bill, 2026 proposes to amend the following entries in the Sixth Schedule of the Sales Tax Act, 1990:

Sr. No.	Description	Heading Nos. of First Schedule (Customs Act, 1969)	Comments
32.	Newsprint, books, and magazines but excluding brochures, leaflets and directories.	4902.1000, and 4902.9000	Scope clarified through proposed substitution; exclusion have been maintained while aligning classification under Customs headings for better tax determination.
157.	Import of CKD (in kit form) of following electric vehicles (4 wheelers) by local manufacturers till 30 th June, 2027: (i) Small cars/SUVs with 50 Kwh battery or below; and (ii) Light commercial vehicles (LCVs) with 150 kwh battery or below	Respective headings	Extension of time period from 30 th June, 2026 to 30 th June, 2027 to continue incentivizing local EV assembly/production and support auto industry transition.
181.	Import or lease of aircrafts and parts thereof by Pakistan International Airlines Corporation Limited (PIACL). Provided that the custom authorities shall ensure that the quantities of things imported are limited to the requirements of materials and articles to be used in operations and maintenance of the aircrafts operated by the airline: Provided further that the ground handling equipment, service and operation vehicles, catering equipment and fuel	8802.1200, 8802.3000, 8802.4000, 8801.0000, 8802.2000, 8804.0000, 8805.2900, 8807.3000, 9104.0010, 8544.2000, 7007.1900, and 9931	Through the Finance Bill, 2026, the condition-based exemption has been retained for aviation sector. However, additional measures have been proposed to ensure controlled imports strictly for operational needs of PIACL and airport operations, preventing misuse or commercial diversion.

	trucks, not manufactured locally, and imported shall be used within airport premises as aforesaid.		
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Following Serials are proposed to be added through the Finance Bill, 2026 thereby potentially exempting them from the levy of sales tax:

Sr. No.	Description	Heading Nos. of First Schedule (Customs Act, 1969)
182.	Contraceptives	3926.9020 and 4014.1000
183.	Female Sanitary Pads / Tampons	9619.0030
184.	Import of: Tankers, Dredgers, Floating or submersible drilling, or production platforms, Others floating structures and vessels. Other vessels for the transportation of goods Excluding Cruise ships, excursion boats and similar vessels principally designed for the transport of persons; ferry-boats of all kinds Provided that the quantity of imported goods under this entry shall be approved by Ministry of Maritime Affairs	8901.2000, 8905.1000, 8905.2000, 8905.9000, 8901.9000
185.	Import of bullet proof vehicles by the: (i) Federal Government for logistic arrangements for Shanghai Cooperation Organization (SCO) summit subject to the prior approval from the Ministry of Foreign Affairs and the Ministry of Interior and Narcotics Control (ii) By the Federal Government or Provincial Government for threat of terrorism against a public functionary as determined by the Ministry of Interior and Narcotics Control, subject to approval by the Federal Government.	Respective headings

Table III – (Exempt from The Whole of Sales Tax, Subject to The Conditions)

Following Serials are proposed to be added through the Finance Bill, 2026, making them exempt from the levy of sales tax subject to fulfilment of certain conditions:

S. No.	Description	PCT Heading	Conditions
23.	Import of following machinery/equipment for upgradation of existing refineries: 1. Reactors, 2. Shell and Tube Exchangers, 3. Vessels (Strippers/Separators/ K.O. Drums), 4. Trim Coolers, 5. Air Coolers (Condensers), 6. Fired Heaters, 7. Centrifugal Pumps, 8. Reciprocating Pumps, 9. Centrifugal Compressors, 10. Reciprocating Compressors, 11. Steam Reformer Furnaces, 12 Filters.	8419.8990 8419.5000 8419.8990 8418.6990 8419.8990 8417.8000 8413.7090 8413.5000 8414.8090 8414.8090 8417.8000	The goods shall be imported directly by the refinery after approval by the division concerned.

	Provided that all such imports shall be essentially made for expansion of balancing, modernization, and rehabilitation of existing refineries and the quantity imported by each refinery shall be approved by Ministry of Petroleum and Natural Resources.	8421.3990	
24.	Import of machinery, equipment, raw materials, components and other capital goods, by Karachi Shipyard and Engineering Works Limited.	Respective headings as approved by the concerned Division.	The Division dealing with the subject matter shall certify in the prescribed manner and format as per Annex-B that the imported goods are bona fide requirement. The authorized officer of the Ministry shall furnish all relevant information online to Pakistan Customs Computerized System against a specific user ID and password obtained under section 155D of the Customs Act, 1969.

THE EIGHTH SCHEDULE (REDUCED RATES)

The Finance Bill, 2026 proposes the following amendments to the Eighth Schedule of the Sales Tax Act, 1990:

S. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)	Comments
71.	Following locally manufactured or assembled electric vehicles (4 wheelers) till 30 th June, 2027: (i) Small cars/ SUVs with 50 Kwh battery or below; and (ii) Light commercial vehicles (LCVs) with 150 kwh battery or below	Respective heading	The concessional 1% sales tax rate on specified locally manufactured or assembled electric vehicles has been extended till 30 June 2027, from 30 June 2026, thereby continuing tax incentives aimed at promoting EV adoption and local production.
80.	EV transport buses of 25 seats or more and electric trucks in CBU condition	8702.4090 8704.6030	The scope has been expanded by extending the existing 1% concessional sales tax rate from EV transport buses to electric trucks in CBU condition as well.

THE ELEVENTH SCHEDULE (WITHHOLDING AGENTS)

The Finance Bill, 2026 proposes the following amendments to the Eleventh Schedule of the Sales Tax Act, 1990:

S. No.	Withholding Agent	Supplier Category	Rate or Extent of Deduction	Comments
4.	Companies, association of persons and individuals as defined in the Income Tax Ordinance, 2001 (XLIX of 2001) excluding companies, association of persons and individuals exporting surgical instruments	persons other than Active Taxpayers	5% of gross value of supplies	The scope has been expanded to include AOPs and individuals, as withholding agents whereby their supplier is a person other than an active taxpayer.

Following entry is proposed to be added in the Eleventh Schedule through the Finance Bill, 2026:

S. No.	Withholding Agent	Supplier Category	Rate Or Extent of Deduction
14.	Registered persons engaged in toll manufacturing	Person other than registered person	Four times of the tax charged on conversion charges

THE TWELFTH SCHEDULE (MINIMUM VALUE ADDITION TAX)

The Finance Bill, 2026 proposes the insertion of new provisos under the heading "Procedure and Conditions" in clause (2), after sub-clause (i):

The proposed proviso aims to provide consequences to a manufacturer who supplies goods in the same state as they are imported without subjecting them to any manufacturing process and avoiding the 3% minimum value addition tax. Accordingly, such a manufacturer shall be liable to pay 3% value addition tax on ad valorem basis, along with default surcharge in case the imported goods are supplied in the same state whether in the same packing, repacked, or in bulk:

Additionally where the benefit of waiver of 3% value addition tax is availed, declaring that the goods are imported for in-house consumption in manufacturing process and such imported goods are not used for in-house consumption; imported goods are supplied in the same state whether in the same packing, repacked, or in bulk; and such supply exceeds 50% of total imports in a financial year; such person will be liable to prosecution.

CUSTOMS ACT

PROPOSED AMENDMENTS IN THE CUSTOM ACT, 1969

State Warehouse

Section 2(ssssa)

The Bill proposes to add a new Clause 2(ssssa) for legal clarity by defining “**State Warehouse**” as any place authorized by the Collector of Customs to store the detained, seized or confiscated goods.

The Bill further seeks to penalize, up to two times the value of the goods involved and upon conviction by a Special Judge, to imprisonment for a period not exceeding five years, or fine or the both, to any person involved or abetting in the removal, substitution, damage or otherwise tempering with any goods, whether or not confiscated, at any such place authorized as a State Warehouse.

Continuity of Exemption Notification

Section 19(5)

Amendment in the second proviso to sub-section (5) of section 19 is proposed by substituting the figure “2026” with “2027”, to give continuity to the notifications issued under section 19 during the financial year.

Mis-declaration in Multiple Goods Declaration

Section 32(3) & (3A)

The Bill seeks to omit the words “**in a case**” from the first proviso to sub-section (3) and the proviso to sub-section (3A) of section 32, to remove a legal lacuna whereby no mis-declaration case could be framed in multiple declarations up to twenty thousand and one hundred thousand rupees respectively.

Late Filing of GD and Outsourcing of Auctions

Section 82

It is proposed to amend section 82 to streamline the imposition of penalty on late filing of Goods Declaration and late removal of goods from ports after clearance, by substituting “Federal Government” with “Board” and empowering the Board to notify the relevant rules. The Bill further seeks to add a proviso empowering the Board to authorize any person to auction goods, thereby providing legal cover to outsource customs auctions.

Punishments to Officers, etc.

Section 156

The bill seeks to;

(a) enhance the penalty on Terminal Operators from “Five Hundred Thousand” to “Ten Million” rupees for not entertaining delay and detention certificates issued by Customs.

(b) to penalize an officer of any authority who, being duty bound under section 170 to deposit the impugned goods with customs, neglects to do so.

Explanation of the Word “Removal”

Section 157

The word “removal” has been defined to include and shall be deemed to have always included, every act of carrying, transporting, depositing, harbouring, keeping, concealing, retailing or any other act involving movement of smuggled goods.

Faceless Adjudication**Section 179**

As in other laws the Bill seeks to introduce **Faceless Adjudication**, whereby adjudication proceedings will be conducted without any face-to-face interaction between the adjudicating officer and the respondent, in such virtual manner as may be prescribed by the Board, to enhance transparency, efficiency and quick disposal of cases.

Independent Case Scrutiny Committee**Section 196JJ**

A new section is proposed to be inserted to provide legal cover to an Independent Case Scrutiny Committee, whereby any Civil Petition, reference or petition before the High Court, the Federal Constitutional Court or the Supreme Court shall only be filed subject to the approval of the committee constituted by the Board. The recommendations of the committee shall be binding upon the concerned Collector or Director of Customs.

Service of Notices and Orders**Section 215**

The proposed amendment seeks to provide legal cover for serving legal notices and orders in the manner prescribed for service of a summons under the Code of Civil Procedure, 1908, where the respondent is not traceable.

A SUMMARY OF THE PROPOSED CUSTOMS TARIFF MEASURES FRAMED UNDER THE NATIONAL TARIFF POLICY 2025-2030;

Tariff Rationalization**First Schedule**

Customs Duty (CD) slabs are being compressed downward across input goods for various industries: the 20% slab is proposed to be reduced to 15%/10%, the 15% and 10% slabs to be reduced 10%/5%, and the existing 5% slab is eliminated entirely (reduced to 0%).

Additional Customs Duty (ACD) Cuts**First Schedule**

ACD rates are being reduced or removed on a large number of tariff lines: from 6% to 4% (449 lines), from 4% to 2% (2,107 lines), and from 2% down to 0% (569 lines) — effectively eliminating ACD for that last category.

Regulatory Duty (RD) Regime Review**First Schedule**

RD rates above 20% are being capped at a maximum of 20% (359 lines). For mid-range RD rates (2.5%–20%), a flat 20% reduction is applied across 1,347 lines. For the lowest RD slabs (2.5%, 2%, and 1%), rates are either cut by 20% or eliminated altogether.

Exemption Regime Review**Fifth Schedule**

Redundant Fifth Schedule entries are being removed where the "concessionary" CD rate is no better than (or worse than) the standard First Schedule rate — essentially cleaning up exemptions that no longer provide any real benefit. Full CD exemption on critical cancer-treatment APIs. CD cut from 20% to 10% on specialized construction-related vehicles. Full CD exemption on defence imports.

Agricultural Sector Relief**Fifth Schedule**

CD, ACD, and RD are all being exempted on the import of agricultural machinery — a fairly comprehensive duty relief covering all three layers of import duty for this category, aimed at lowering input costs for the farming/agri-mechanization sector.

Security & Special-Purpose Exemptions**Fifth Schedule**

CD is being exempted on the import of bullet-proof vehicles in two specific contexts: for the Shanghai Cooperation Organization (SCO) Summit, and for Federal or Provincial government use in connection with the ongoing counter-terrorism efforts.

OTHER LAWS

PROPOSED AMENDMENTS IN FINANCE ACT, 2022

REMOVAL OF CAPITAL VALUE TAX ON FOREIGN ASSETS

The Finance Bill proposes an amendment to **Section 8 of the Finance Act, 2022** to **exclude foreign assets held by resident individuals from the scope of Capital Value Tax (CVT)**.

Under the proposed amendment, foreign assets owned by a resident individual, even where the aggregate value of such assets exceeds **Rs. 100 million** on the last day of the tax year, will no longer be subject to CVT.

The proposed amendment constitutes a significant relief measure for resident individuals with substantial overseas wealth and investments.

The original CVT regime on foreign assets was introduced as a wealth-based tax measure aimed at generating additional revenue from high-net-worth individuals. However, practical challenges emerged regarding:

- Valuation of foreign assets;
- Verification of overseas holdings;
- Enforcement and collection; and
- Potential concerns regarding double taxation and capital mobility.

By removing foreign assets from the CVT framework, the Government appears to be simplifying the tax regime and addressing concerns raised by taxpayers regarding the taxation of offshore wealth.

The amendment may also encourage greater voluntary disclosure of foreign assets in tax returns and wealth statements by reducing the additional tax cost associated with such disclosures.

PROPOSED AMENDMENTS IN THE FEDERAL EXCISE ACT, 2005

Definition of Algorithmic Settlement Mechanism

Section 2(2A)

It is proposed to insert clause (2A) in section 2 defining “Algorithmic Settlement Mechanism” by reference to section 26AAA of the Sales Tax Act, 1990. This definition provides the statutory foundation for the digitised settlement framework introduced by the Finance Bill, 2026.

Definition of Electronic Invoicing System

Section 2(9b)

The Bill seeks to insert clause (9b) in section 2 defining “Electronic Invoicing System” as any electronic system or mechanism prescribed or approved by the Board for issuance and recording of sales tax invoices in electronic form.

Definition of National Faceless Centre

Section 2(16A1)

Like other laws it is also proposed to insert clause (16A1) in section 2 defining “National Faceless Centre” with reference to section 32C of the Sales Tax Act, 1990.

Definition of Production Monitoring System

Section 2(19b)

It is proposed to insert clause (19b) in section 2 defining “Production Monitoring System” as any system or technology used for monitoring production and sale of goods, whether in real-time or otherwise, including systems prescribed by the Board from time to time.

Special Excise Duty

Section 3(3B)

A new sub-section (3B) in section 3 is being inserted to levy and collect a Special Excise Duty (SED) on luxury imported vehicles.

National Faceless Centre and Algorithmic Settlement Mechanism

Section 7A

The Bill seeks to insert a new section 7A to provide a framework for faceless proceedings under the Federal Excise Act, 2005.

Electronic Invoice with FBR Invoice Number

Section 18

It is proposed to substitute sub-section (1) of section 18 to require every registered person to issue, for each transaction, an invoice including an advance receipt invoice, at the time of clearance or sale of goods for zero-rated goods and dutiable goods.

Tampering with Production Monitoring Systems

Section 19(2)(a) &
(4)

The Bill seeks to make two amendments to section 19. First, in clause (a) of sub-section (2), the reference to “Federal Excise Officer” is replaced with “Officer of Inland Revenue”. Second, sub-section (4) is being substituted to penalize for the destruction of goods without approval of the Commissioner.

Seizure Extension to Production Monitoring Violations

Section 26(1)

Sub-section (1) of section 26 is being substituted to expand the categories of goods liable to seizure which are without tax stamps and barcodes. This amendment strengthens enforcement by treating non-compliance with production monitoring requirements on a par with counterfeiting and duty evasion for the purposes of seizure.

Confiscation Extension to Production Monitoring Violations

Section 27(1)

The Bill seeks to substitute sub-section (1) of section 27 to extend outright confiscation to goods seized on account of non-compliance with production monitoring system requirements.

Nomenclature Correction Officer of Inland Revenue**Sections 33(1)**

The expressions “Federal Excise Officer” and “federal excise” appearing in sub-section (1) of section 33 is being substituted with the expressions “Officer of Inland Revenue”.

Independent Case Scrutiny Committee**Section 34AA**

The Bill seeks to insert a new section 34AA to establish an Independent Case Scrutiny Committee for the purpose of screening government litigation before superior courts.

Monitoring or Tracking by Electronic or Other Means**Section 45A**

Section 45A is being substituted in its entirety to consolidate and modernise the Board’s powers to mandate electronic monitoring and tax-stamp affixation for excisable goods.

Audit Proceedings**Section 46**

It is proposed amend section 46 governing audit proceedings for the hiring of auditors or accountants for conducting specialised audits where the Commissioner deems necessary on account of complexity of financial transactions.

Amendments in Table-1 - First Schedule:

S.No	Description of Goods	Heading/subheading number	Previous Rate of Duty	Proposed Rate of Duty
7a	Acetate Tow	Respective Heading	Rupees forty-four thousand per kg.	Rupees ten thousand per kg.
8a	E-liquids by whatsoever name called, for electric cigarette kits	Respective Heading	Rupees ten 5 [thousand per kg 6 [or sixty five percent of retail price whichever is higher	Rupees sixteen thousand five hundred per kg
55A	Electric cars, electric SUVs, and electric pickup vehicles, imported for personal use in CBU condition, of import including Duty:- (a) value Custom Not exceeding PKR 20 million (b) exceeding PKR 20 million and upto PKR 30 million (c) exceeding PKR 30 million	Respective Heading	-	(a) 0% (b) 30% (c) 40%
59	excluding mineral and aerated waters	Respective Heading	excluding mineral and aerated waters	“Excluding mineral waters, aerated waters, hydration drinks or electrolyte beverages specifically formulated to support hydration, electrolytes replenishment not containing sugar

				exceeding 5g/100 ml or artificial sweetener
63	Lubricating oil and base lubricating oils	2710.1951 2710.1952 2710.1953	2710.1951 2710.1952 2710.1953	2710.1993
65	(i) Petroleum top Naphtha	2710.1942	-	(i) Rs. 80 per liter
	(ii) White Spirit/Mineral Turpentine Oil (MTT)	2710.1240	-	(ii) Rs. 80 per liter
	(iii) Solvent Oil	2710.1250	-	(iii) Rs. 80 per liter.

Amendment in Restriction-2: Brand variants at different price points:

The proposed amendment seeks to broaden and tighten Restriction-2 by replacing the concept of brand family and brand variant with existing brand. The objective appears to be to remove ambiguity and prevent introduction of lower-priced variants under existing cigarette brands.

Insertion of to the Table-1A - First Schedule:

S.No	Description of Goods	Heading/subheading number	Rate of Duty
1	Imported motor cars, SUVs and other motor vehicles, excluding auto rickshaws, principally designed for the transport of persons (other than those of headings 87.02), and till the 30th day of June, 2027 electric vehicles (4 87.03 8704.2190 8704.3190 4 wheelers) including station wagons, double cabin (4x4) pickup vehicles and racing cars: (a) of cylinder capacity exceeding 2000cc but not exceeding 3000cc (b) of cylinder capacity exceeding 3000cc		(a) 40% Ad Val (b) 41% Ad Val

Changes in Table II - First Schedule:

S.No	Description of Goods	Heading/subheading number	Previous Rate of Duty/Item	Proposed Rate of Duty/Item
3	(ii) Club, business and first class air tickets issued on or after the 1st day of July, 2026: (a) IATA Traffic Conference Area 1 (North, Central, South America and Environs)	-	(a) Three hundred and fifty thousand rupees (b)(I) One hundred and	(a) Fifty thousand rupees (b)(I) Twenty-five thousand rupees

(b) IATA Traffic Conference Area 2 (I) Middle East and Africa (II) Europe (c) IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands)		five thousand rupees (b)((II) Two hundred and ten thousand rupees (c) Two hundred and ten thousand rupees]	(b)(II) Forty thousand rupees (c) Forty thousand rupees
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Insertion in Second Schedule:

S.No	Description of Goods	Heading/subheading number
5	Imported and locally produced: (i) Petroleum top Naphtha (ii) White Spirit/Mineral Turpentine Oil (MTT) (iii) Solvent Oil	i) 2710.1942 ii) 2710.1240 iii) 2710.1250

Insertion of Table-I - Third Schedule:

S.No	Description of Goods	Heading/subheading number
28	Import of bullet proof vehicles by the: i) Federal Government for logistic arrangements for Shanghai Cooperation Organization (SCO) summit subject to the prior approval from the Ministry of Foreign Affairs and the Ministry of Interior and Narcotics Control ii) By the Federal Government or Provincial Government for threat of terrorism against a public functionary as determined by the Ministry of Interior and Narcotics Control, subject to approval by the Federal Government".	Respective heading

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