

RASG IMPACT

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- Technical Updates

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Result Assured Services for Growth

TECHNICAL UPDATES**FEDERAL SALES TAX LAWS****Draft simplified electronic return for individuals (TAX YEAR 2025) – SRO 1213(I)/2025**

The Federal Board of Revenue has through S.R.O. 1213(I)/2025, dated July 7, 2025, proposed to insert Part-II-ZB into the Second Schedule of the Income Tax Rules, 2002, under Section 237(1) of the Income Tax Ordinance, 2001. The amendment proposes a simplified electronic return format for individuals for Tax Year 2025 which is currently issued in draft format for comments.

Introduction of draft electronic return for companies (TAX YEAR 2025)

The Federal Board of Revenue has through S.R.O. 1212(I)/2025, dated July 7, 2025, proposed amendments to the Income Tax Rules, 2002, under Section 237(1) of the Income Tax Ordinance, 2001.

A new Part-II-ZA is to be added to the Second Schedule, introducing the electronic income tax return format for companies for Tax Year 2025 in draft format for comments and approval.

Reduced Withholding Tax On Sugar Imports Under Section 148 – S.R.O. 1216/ 2025

The Federal Board of Revenue has through its SRO 1216(I)/2025 dated July 08, 2025 informed that pursuant to Cabinet Decision Case No. 432/Rule-19/2025/615 dated July 4, 2025, the withholding tax under Section 148 shall be collected at the reduced rate of 0.25% of the value on commercial import of white crystalline sugar, up to 500,000 metric tons in aggregate, subject to the following conditions:

- Sugar must be imported either by the Commerce Division through the Trading Corporation of Pakistan (TCP) or by the private sector, as per specified conditions, limitations, and quota allotments.
- The Commerce Division shall ensure quality control of imported sugar via an international inspection firm.
- The reduced withholding tax rate shall apply only to imports made on or before September 30, 2025.

Exemption from digital presence proceed tax – S.R.O. 1366(I)/2025:

The Federal Board of Revenue has through its SRO 1366(I)/2025 dated July 30, 2025 exempted digitally ordered goods and services supplied from outside Pakistan from tax under the Digital Presence Proceeds Tax Act, 2025, where such supplies are already taxable under the Act.

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The above tax was to be charged at 5% on either supply of goods or services from outside Pakistan and was introduced through the Finance Act, 2025. However, it seems like that the Federal Government has back tracked on its decision for now. This exemption has been made effective from July 1, 2025.

SALES TAX LAWS

Reduced sales tax on sugar imports -SRO 1217(I)/2025:

The Federal Board of Revenue has through its S.R.O. 1217(I)/2025 dated July 8, 2025, in exercise of powers under Section 13(2)(a) of the Sales Tax Act, 1990, and pursuant to Cabinet Decision (Case No. 432/Rule-19/2025/615 dated July 4, 2025) has reduced sales tax from 18% to 0.25% and exempted the 3% minimum value addition tax on the import and subsequent supply of up to 500,000 metric tons of white crystalline sugar by the Trading Corporation of Pakistan (TCP) or the private sector, under the Twelfth Schedule to the Sales Tax Act, 1990.

This concession is subject to:

- Import being routed through the Commerce Division, with specified conditions and quotas;
- Quality assurance by an international inspection firm;
- Cut-off date for availing the exemption shall be September 30, 2025.

Extension in date of submission of sales tax & federal excise return – circular 91536-R:

The Federal Board of Revenue has through its Circular No.9(11)ST-LP&E/Misc/2016/ 91536-R dated July 24, 2025, extended the due date for filing of Sales Tax & Federal Excise return for the tax period of June, 2025 which was due to be submitted on July 18, 2025.

The extended due date has been notified to be August 04, 2025, subject to the condition that due tax has been deposited within the original due date.

Enforcement powers for cigarette seizure – SRO 1279(I)/2025:

The Federal Board of Revenue has through S.R.O. 1279(I)/2025 dated July 15, 2025 has authorized provincial officers under Section 27(4) of the Federal Excise Act, 2005 to seize illicit cigarettes in warehouses, retail outlets, and during transport with the following SOPs:

- Seizure of goods are allowed if cigarettes have no valid tax stamps or fake stamps.
- Seized goods and vehicles must be deposited at the nearest RTO.
- Officers must report seizures via FBR's app within 48 hours.
- Reports must be shared with FBR Intelligence via provincial coordination.

PROVINCIAL SALES TAX LAWS

PUNJAB

Amendment in input tax adjustment formula – orders 06/2021/845:

The Punjab Revenue Authority has through its order dated July 10, 2025 amended Rule 3 of the Punjab Sales Tax on Services (Adjustment of Tax) Rules, 2012 with immediate effect as under:

- The phrase "reduced rate" is inserted after "non-taxable" in the heading and sub-rule (1) of Rule 3.
- Sub-rule (2) is substituted to introduce a revised formula for apportioning input tax when inputs are used for a mix of taxable, non-taxable, reduced rate, and exempt services:

Adjustable Input Tax=
$$\frac{((\text{Taxable Value})/((\text{Taxable}+\text{Non Taxable}+\text{Reduced Rate}+\text{Exempt Services}))) \times \text{Total Input}}{1}$$

The above amendment is clarificatory in nature whereby input tax would be apportioned against both non-taxable/exempt as well as those services subject to reduced rate. Hence, no input tax claim would be allowed on such services.

Enhanced withholding tax requirement for companies – orders 06/2021/846:

The Punjab Revenue Authority has through its order dated July 10 2025 inserted Rule 5a into the Punjab Sales Tax on Services (Withholding) Rules, 2015, effective immediately.

Through the newly inserted rules, **telecommunication, banking, and insurance companies** on receiving taxable services (excluding advertisement) from an active taxpayer service provider;

- a. Must withhold 80% of the sales tax.
- b. The remaining 20% is to be deposited by the service provider.

All other companies;

On receiving taxable services (excluding advertisement) from an active taxpayer service provider,

- a. Must withhold 20% of the sales tax.
- b. The remaining 80% is to be deposited by the service provider.

SINDH

Adoption of central product classification (CPC) version 2.1 for classification of services – SRB-3-4/28/2025:

The Sindh Revenue Board (SRB), has through its notification No. SRB-3-4/28/2025 dated July 1, 2025 under its statutory authority, mandated that all services for the purpose of Sindh Sales Tax on Services shall be classified using the United Nations Central Product Classification (CPC) Version 2.1. This classification system is adopted to ensure standardization and clarity in the categorization of taxable services. The classification is detailed in Segment I and is further modified and clarified in Segment II of the notification.

Rescinding of reduced rate of sales tax notification – SRO 3-4/30/2025:

The Sindh Revenue Board has through its SRO 3-4/30/2025 dated July 01, 2025 rescinded the SRO 3-4/8/2013 dated July 01, 2013.

The above referred SRO prescribed reduced rate of sales tax for certain services. However, the matter of reduced rate of sales tax has now been made part of the Sindh Sales Tax Act, 2011 through the Finance Act, 2025. Therefore, leaving the said SRO as redundant.

Submission of quarterly sst return by certain persons/class of person – SRB-3-4/40/2025:

The Sindh Revenue Board, through this notification SRB-3-4/40/2025 dated July 16, 2025, amended its earlier Notification No. SRB-3-4/10/2011 by replacing the existing table of persons eligible to file quarterly returns with an updated list.

The following persons/classes are now allowed to file quarterly Sindh Sales Tax returns:

- Persons providing wholly **exempt services** under Section 10 of the Sindh Sales Tax on Services Act, 2011.
- **Franchise service** providers (CPC 73340 & 83960) where the service agreement does not specify a payment date.
- Individuals (as defined under Section 2(63)(a)) exclusively providing **renting of immovable property services** (CPC 7211), and possibly exempt services — provided tax is paid by the 15th of the following month.
- Persons exclusively providing **cosmetic dental services** (CPC 93123), beside exempt services.

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SRB introduces comprehensive reforms to align sales tax system with CPC standards and enhance compliance framework

- The Sindh Revenue Board, through a series of notifications (Nos. 40 to 47 of 2025), has introduced comprehensive amendments across various Sindh Sales Tax rules to modernize and streamline the tax regime. A central theme across these changes is the replacement of outdated tariff headings with internationally recognized CPC codes introduced through the Sindh Finance Act, 2025.

KPK

Responsibility of collection agent – notification NO. 3337:

The Khyber Pakhtunkhwa Revenue Authority has through its notification No. 3337 dated June 16, 2025 prescribed the Pakistan Single Window as the collection agent for sales tax against services provided by customs or customs house agents.

The rate of tax has been fixed at Rs. 3,000/- per goods declaration filed and the amount of sales tax would be deposited within 15th day of the following tax period in which the tax has been collected.

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CORPORATE LAWS

Appointment of auditors for SECP-regulated entities – circular 16 of 2025:

The Securities and Exchange Commission of Pakistan (SECP), through its circular 16 of 2025 dated July 3, 2025, has published the revised list of auditors eligible to conduct audits of SECP-regulated entities.

Issuance of key fact statement (KFS) by pension fund managers (PFMS) to investors – circular 17 of 2025:

- The Securities and Exchange Commission of Pakistan (SECP) has through its Circular 17 of 2025 dated July 16, 2025, to enhance investor clarity and facilitate informed decision-making, directs all Pension Fund Managers (PFMs), effective from August 15, 2025, to include a Key Fact Statement (KFS) as the second page of the Offering Document (OD) as per Template provided as Annexure I of the circular.

Key Requirements:

- Provide approved version of KFS for each Pension Fund before soliciting new investments.

- KFS to be easily accessible on PFM's website/portal.
- Investors must acknowledge receipt and understanding of the Key Fact Statement at the time of investment, through signature (physical) or checkbox (online).
- KFS must reflect any material changes promptly.
- PFM shall ensure latest OD to be maintained online.
- **Document Submission:** Updated constitutive documents to be sent to SECP within one week of amendments as per Regulation 67J(4) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Secp guidelines for launch of collective investment schemes and investment plans – direction 18 of 2025:

The Securities and Exchange Commission of Pakistan has through its direction 18 of 2025 dated July 21, 2025 mandates that all Collective Investment Schemes (CIS) and Investment Plans must have more than one investor at all times.

To ensure fair access and genuine fund pooling, Asset Management Companies (AMCs) must:

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1. Keep the Initial Offering and Subscription Periods open for at least 3 days.
2. Inform all existing investors about each new launch (unless they've opted out).
3. Publicly market the offering to ensure broad investor participation.

Submission of information by securities and future advisors under regulation 24(1) of the 2017 regulations – direction 20 of 2025:

The Securities and Exchange Commission of Pakistan has through direction No. 20 of 2025 dated July 21, 2025 under Regulation 24(1) of the Securities and Future Advisors (Licensing and Operations) Regulations, 2017, directs all licensed Securities Advisors and Future Advisors to submit specified information within the prescribed timelines:

For Companies:

Submit prescribed information as per format provided along with financial statements.

For Individuals:

Submit prescribed information as for format provided, within four (4) months after the end of each financial year.

Failure to comply will result in enforcement action under the applicable regulatory framework.

Amendments to the companies regulations, 2024 – SRO 1233(I)/2025:

The Securities and Exchange Commission of Pakistan through its S.R.O./233(1)/2025 dated July 4, 2025, has made amendments to the Companies Regulations, 2024, wherein various amendments with regards to information of promoters for the incorporation of companies under Section 42 of the Companies Act, 2017 has been made along with other amendments.

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