

BUDGET BRIEF 2024

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13th June, 2024

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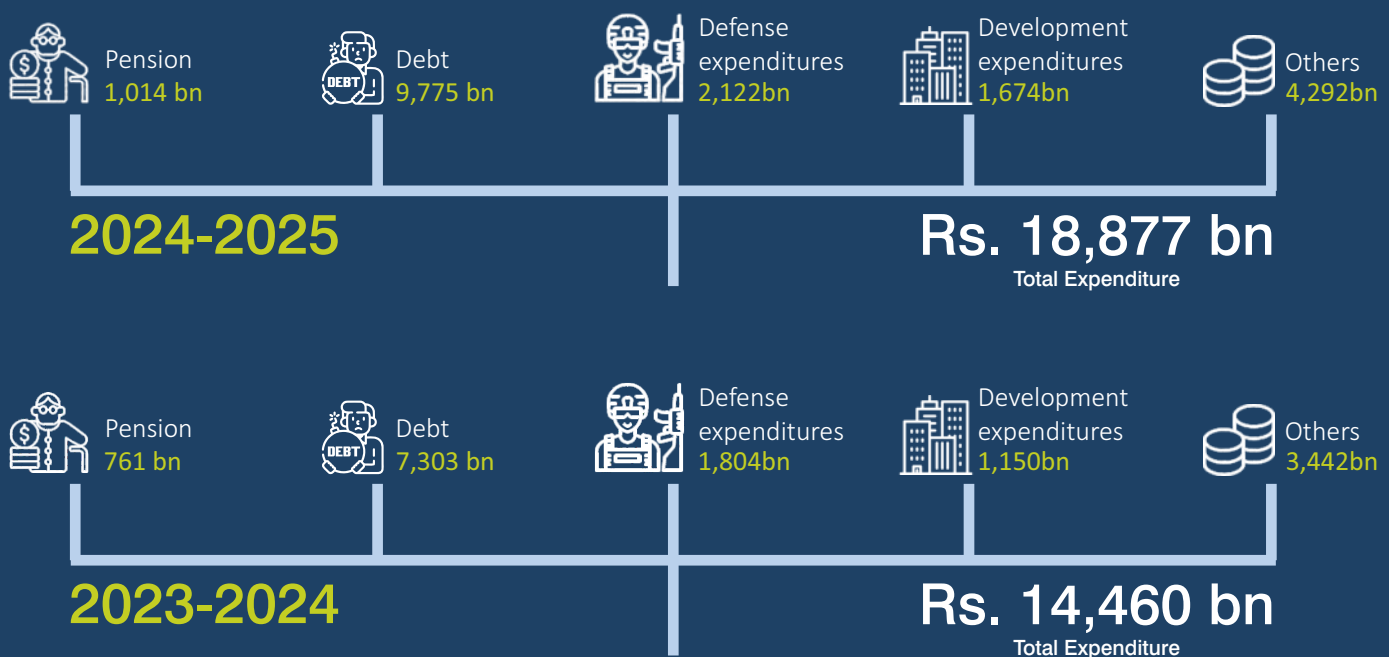
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BUDGET

At A Glance 2024-25

Resources	2024-25	2023-24
Total tax revenue	12,970	9,200
Non-tax revenue	4,845	2,963
Total federal resources	16,557	12,163
Less: provincial share in federal taxes	(7,438)	(5,276)
Net federal resources	9,119	6,887
Deficit financing	8,500	7,573
Total resources	18,877	14,460

Allocation of Resources



Economic Indicators



2023-24

2022-23

GDP

2.38
%



0.29
%

CPI

11.80
%



36.40
%

**Current Account
Deficit**

USD
202
Million



USD
3920
Million

FBR Tax Collection

8110
Billion



6210
Billion

Exchange Rate

PKR
277.51



PKR
286.5

**Foreign Exchange
Reserves**

USD
9.09
Billion



USD
4.09
Billion

Growth

The provisional GDP growth rate for 2023-2024 is **2.38%** as compared to last year growth rate of **0.29%** showing an increase of **2.09%**. The same is still below the targeted growth rate of **3.5%**.



Agriculture Sector

The agriculture sector showed a robust growth of 6.25% this year as compared to last year growth of 1.55% showing an increase of 4.7%. The same is above the budgeted growth rate of 3.5%.



6.25
%

Manufacturing Sector

Manufacturing Sector showed a growth of 2.42% as compared to last year negative growth of 5.29% while LSM shows a decline of -0.10% in first nine months.



↑
2.42%

Service Sector

Service sector showed a growth of 1.21% as compared to last year growth of 0.86%. The same is still below the budgeted growth of 3.6%.



↑
1.21%

Growth Of Various Sectors

Description	2024	2023	2022	2021	2020
GDP (PKR Trillion)	106.04	84.7	66.6	55.8	47.5
GDP per Capita (US\$)	1,680	1,568	1,765	1676	1,458
GDP Growth %	2.38	0.29	5.97	5.74	(5.5)
Agricultural Growth (%)	6.25	1.55	4.4	3.48	3.3
Manufacturing Growth (%)	2.42	(2.94)	7.19	7.8	(3.8)
Services Growth (%)	1.21	0.86	6.19	6	(0.6)

Composition of GDP

The largest segment of economy which is service sector contributed 58% in overall GDP, whereas agriculture sector and industrial sector contributed 24% and 18%, respectively.



Public Debt

Public debt is rising every year and it reached at PKR 67.5 trillion by March 2024 that is around **64% of GDP** as compared to 75% of GDP at end of June 2023. (Current GDP 106,045,093 Millions.)

Description	Domestic debt	External debt	Total debt
PKR Trillions			
2024 (till March)	43.4	24.1	67.5
2023	38.8	24.1	62.9
2022	31.1	18.2	49.2
2021	26.3	13.6	39.9
2020	23.3	13.1	36.4
2019	20.7	12.0	32.7
2018	16.4	8.5	24.9

PKR
67.5
Trillion
75% of GDP

Capital Market

The KSE- 100 index of Pakistan Stock Exchange opened at 44169 points on 06 July, 2023 and closed at 72590 points on 10 June, 2024 showing an increase of 64.3%.



Trade & Payments

During the current fiscal year the Pak rupee remained stable during the entire year through better controls on foreign exchange, crubs on smuggling & improved current accounts position. The rate of Dollar to PKR was **286.50** on 1st July, 2023 which declined to **277.51** on 11th June, 2024 showing a decline of **3.24%** approximately.

Export and Import of Goods

The export of goods during the period from July to May 2024 were US\$ 28.070 billion as compared to US\$ 25.368 billion for same period last year. The import of goods during the period from July to May 2024 were US\$ 49.8 billion as compared to US\$ 51 billion during same period last year showing a decline of 2.4%

The reason for decrease in imports is due to restrictions by the Government to manage the currency crises. This resulted in shrinkage of Trade Deficit to **US\$ 21.1B** as compared with **US\$ 25B** last year.

Description	Import	Export	Trade Deficit
US \$ Billions			
2024 (July-May)	49.8	28.7	21.1
2023	52.0	27.0	25.0
2022	80.1	31.8	48.3
2021	56.4	25.3	31.1
2020	44.6	21.3	23.3
2019	55.8	23.0	32.8
2018	60.8	23.2	37.6
2017	52.9	20.4	32.5

Export and Import of services

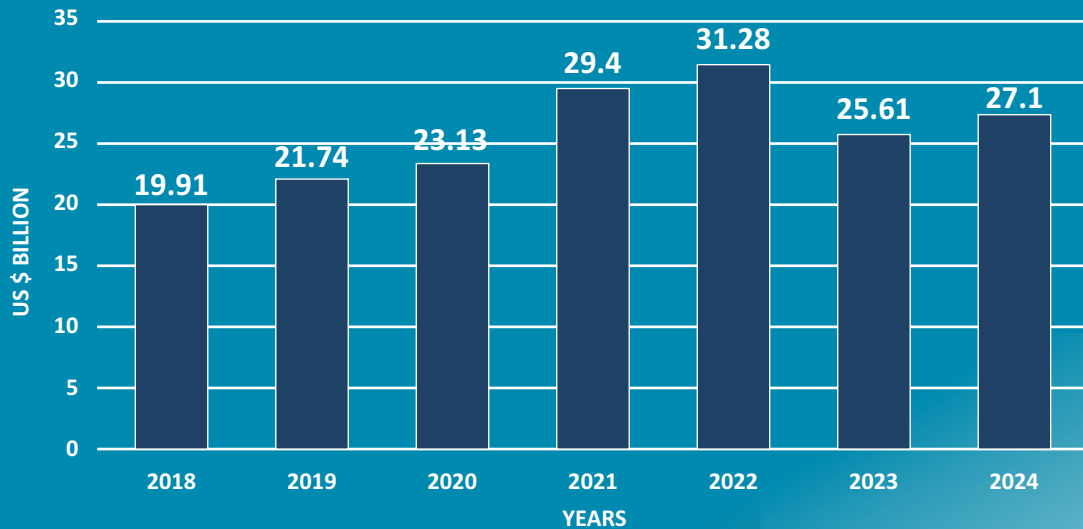
The export of services during the period from Jul 2023 to April 2024 were US\$ 6.44 billion as compared to US\$ 6.37 billion for same period last year that shows increase of around 1.09%.

The import of services during the period from Jul 2023 to April 2024 were US\$ 8.35 billion as compared to US\$ 6.91 billion during same period last year that shows increase of around 21%.

Workers Remittances

Workers' remittances during the period from July 2023 to May 2024 were US\$ 27.1 billion as compared to US\$ 25.16 billion during the same period last year that shows an increase of around 7.7%.

Workers Remittances



↑
7.7%



Inflation & Interest Rate

During 2024 the CPI decreased to 11.8% in May 2024 as compared to 36.4% in same period last year. The Government has been successful in controlling the inflation and gradually bringing it down. The main reason for decrease in inflation is stability in value of PKR and also a decline in Global Commodity Prices.

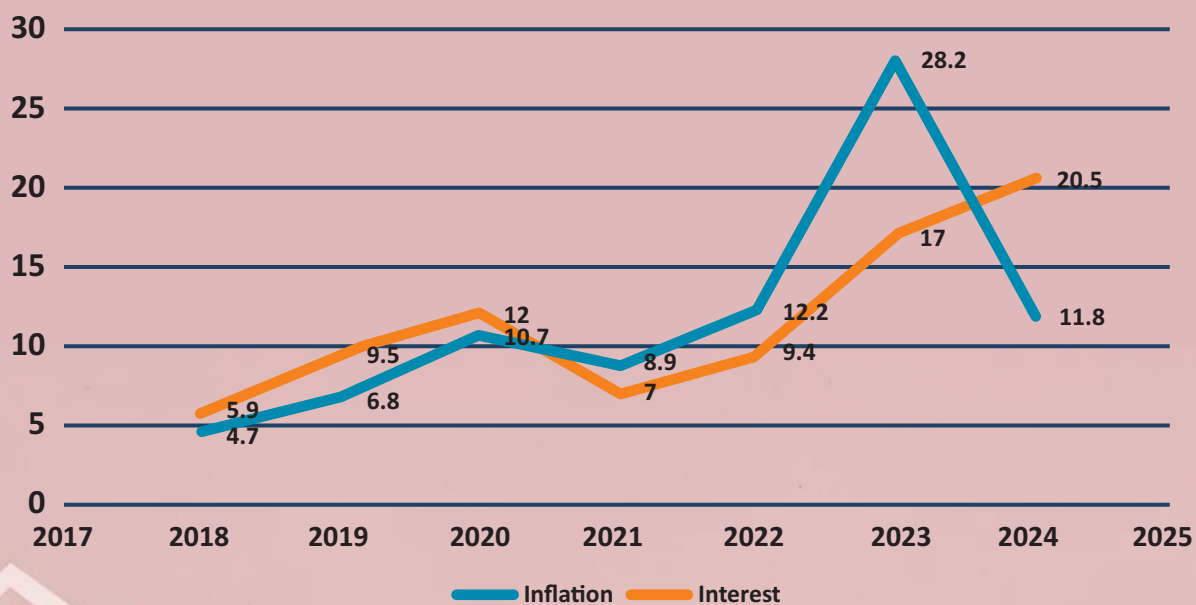
The State Bank policy discount rate decreased from 22% on June 30, 2023 to 20.5% on June 11, 2024 during the fiscal year. This was first reduction downward after a gap of four years.

The market interest rate significantly increased during the period due to increase in inflation and reached at historically high rates.

Maturity	12 th June 2024	9 th June 2023	30 th June 2022	30 th June 2021	30 th June 2020
1 Year	19.41%	21.95%	15.30%	7.81%	7.05%
3 Year	16.28%	19.15%	13.45%	8.99%	7.53%
5 Year	15.26%	15.05%	12.93%	9.49%	8.11%
10 year	14.05%	15.10%	12.92%	9.94%	8.69%

COMPARISON BETWEEN INFLATION AND INTEREST

Inflation and Interest Graph



REVENUE MOBILIZATION

During the period from July 2023 to May 2024 net tax collection increased by 30.6% to Rs.8,110.26 billion against Rs.6,210 billion during same period last year.

The major source of revenue is indirect taxes that include sales tax, customs and excise duty. Around 56% is collected through indirect taxes whereas 44% is collected through direct tax.





BUDGET HIGHLIGHTS

2024-25

INCOME TAX ORDINANCE, 2001

- ◆ Income tax aggregate rate raised to 55%, the highest in the world.
- ◆ Increase in tax rates for salaried individuals on lower slabs without increasing maximum tax rate of 35%.
- ◆ Tax rate for non-salaried individuals and AOPs increased to 45% from existing 35%.
- ◆ New concept of late filers introduced with increased rate of withholding taxes.
- ◆ Complete withdrawal of exemption & Increase in tax rates for capital gains on immovable property acquired on or after July 01, 2024.
- ◆ Introduction of progressive withholding tax rates for collection of advance tax on sale and purchase of immovable property instead of existing flat rates.
- ◆ Exporters of goods to be taxed under normal tax regime instead of final tax regime.
- ◆ Export proceeds of exporter of goods to be subject to 2% withholding tax instead of existing 1%.
- ◆ Powers of Commissioner to issue exemption certificates curtailed to issuance of reduced rate certificate only under various provisions of the Ordinance.
- ◆ Increase in withholding tax rates for non-filers in excess of 100% of normal tax rates for various withholding tax provisions.
- ◆ Withholding tax on registration of vehicles to be collected on the value of vehicles instead of engine capacity.
- ◆ Rate of tax on dividend income from mutual funds raised to 25% from existing 15%.
- ◆ Failure to furnish complete and correct information with return, made liable to additional penalties & prosecution under the Law.
- ◆ Shop of trader be sealed in case failure to make registration or pay advance tax under provisions of the ordinance.

SALES TAX ACT, 1990

- ◆ Withdrawal of zero rating on all local supplies to exporters.
- ◆ Withdrawal of exemption on all medical materials and equipments relating to cardiology and cardiac surgery.
- ◆ Mobile phones to be taxed at standard rate (other than mobile phones valuing exceeding US\$ 500 which will remain chargeable to existing rate of 25%).
- ◆ Concessional rate of 15% increased to 18% on supplies made by the POS retailers dealing in leather and textile products.
- ◆ Iron and steel scrap exempted from levy of sales tax.
- ◆ A phased withdrawal of exemption granted to ex-FATA/PATA.
- ◆ Board empowered to fix minimum price of the goods falling under Third Schedule.
- ◆ Streamlining and strengthening of provisions related to tax fraud.
- ◆ Structural changes in the legal provisions related to assessment and audit.
- ◆ Zero-rating of petroleum products converted into exemption.
- ◆ Rate of default surcharge aligned with the SBP's policy rate of KIBOR plus 3%.

FEDERAL EXCISE ACT 2005

- ◆ Imposition of FED on commercial properties and first sale of residential properties at the rate of 5%.
- ◆ Power to seal business premises of retailers selling illicit cigarettes.
- ◆ Imposition of FED on acetate tow at Rs. 44,000.
- ◆ Imposition of FED on nicotine pouches at the rate of Rs. 1200 per kg.
- ◆ Enhancement of FED on e-liquids.
- ◆ Imposition of FED at the rate of Rs. 15 per kg on supply of sugar to manufacturers.
- ◆ Rate of FED on cement enhanced from Rs. 2 per kg to Rs. 3 per kg.
- ◆ Rate of FED on filter rod enhanced from Rs.1500 per kg to Rs.80,000 per kg.
- ◆ Exemption from FED granted to diplomats and diplomatic mission.

INCOME TAX

ORDINANCE, 2001



37 Advance Tax on Acquisition of Shares of Unlisted Company

- ◆ An amendment was made by Finance (Supplementary) Act, 2023, by virtue of which the person acquiring the shares was required to deduct advance tax at the rate of 10% of sales consideration being paid and to be deposited within 15 days of the payment. Now the bill seeks to amend the above section and requirement to make the tax reduction of advance tax is now linked to earlier of time of payment or the time of registration of shares by SECP or by the State Bank of Pakistan, whichever is earlier.

37(1A) Capital Gain on Disposal of Immovable Property

- ◆ The bill seeks to make changes in the rate of tax on capital gains on disposal of immovable property. The existing slab rate based on various holding periods shall remain the same for capital gains on all types of immovable property acquired on or before 30th day of June, 2024. However, it is proposed that disposal of immovable property acquired on or after 1st day of July, 2024, the rate of tax on capital gain would be 15% for all those persons appearing on the active taxpayers' list at the date of disposal of property. And for all non-active taxpayers, the income from capital gain will be added to the total income and charged to tax at normal rates. However, in case of individuals and AOPs being non-active taxpayer, the rate of tax shall not be less than 15%.

37A Capital Gain on Sales of Securities

- ◆ The bill seeks to make changes in the rate of tax on capital gain on disposal of securities. Gist of the same is as under:
- ◆ The existing slab rate based on various holding periods shall remain the same for all those securities acquired between 1st day of July, 2022 to 30th June, 2024. However, it is proposed that disposal of securities acquired on or after 1st day of July, 2024, the rate of tax on capital gain would be 15% for all those persons appearing on the active taxpayers' list at the date of acquisition and date of disposal of securities. And for all non-active taxpayers, the income from capital gain will

be added to the total income and charged to tax at normal rates. However, in case of individuals and AOPs being non-active taxpayer, the rate of tax shall not be less than 15%.

- ◆ An enhancement in rate of tax and withholding tax rate is proposed on capital gains of a mutual fund or collective investment scheme or REITs scheme in the following manner:

Category	Type	Existing	Proposed
Individual & AOP	Stock Funds	10%	15%
Company		10%	15%
Individual & AOP	Other Funds	10%	15%
Company		25%	25%

- ◆ It is further proposed to increase the rate of tax from 12.5% to 20% in case of capital gain of stock fund if dividend receipts of the fund are less than the capital gain.
- ◆ The Bill further proposes the rate of withholding tax shall not be increased for persons not appearing on active tax payer list.

65F Tax Credit for Certain Persons

- ◆ Through Finance Act 2021, 100% tax credit was granted to persons engaged in coal mining projects in Sindh, supplying coal exclusively to power generating projects.
- ◆ Now the Finance Bill proposes to add an explanation to clarify that such tax credit shall only be restricted to profits and gains on operation of coal mining projects in Sindh for supplying coal exclusively to power generating projects. This means, if a person has income other than the above income stream then the same shall not be available with 100% tax credit.

92 Principles of Taxation of Associations of Persons

- ◆ Under the existing law, an AOP is liable to tax separately from the members of the association and the amount received by the member of the association in his capacity as member, out the income of the association, is exempt from income tax.
- ◆ The bill proposes to exclude concession from those AOPs, where the turnover exceeds Rs. 300 million or above during the tax year, or any of the preceding tax year, if the financial statement is not duly audited by a firm of Chartered Accountants or a firm of Cost Management Accountants and the same is not filed with the return.

108 Transactions between Associates

- ◆ Section 108 of the Ordinance provides for certain requirement to be fulfilled for transactions between associates. Now through Finance Bill, the scope of the said section is proposed to be enlarged to disallow expenditure in respect of sales promotion, advertisement and publicity where any amount is claimed as deduction for a tax year or any of the two preceding tax years on account of royalty paid or payable to any associate directly or indirectly in respect of use of any brand name, logo, patent, invention, design or model, secret formula or process, copyright, trademark, scientific or technical knowledge, franchise, license, intellectual property or other like properties or right or contractual right. The said provision is proposed to be applicable from tax year 2024 onwards.

114B Powers to Enforce Filing of Returns

- ◆ The above section provides powers to the Board to issue any general order in respect of person who is not appearing on the active taxpayers list but are liable to file return under the provision of the Ordinance. This power includes the disabling of mobile phone or mobile SIMS, discontinuation of electricity connection or discontinuation of gas connection. Now the bill proposes to enlarge the scope of the above provision by including restriction on foreign travel from the country for a citizen of Pakistan, excluding person holding National Identity Card for Overseas Pakistanis (NICOP), minors, students and such other classes of persons as notified by the Board.

121 Best Judgement Assessment

- ◆ The above section authorizes the Commissioner to pass an assessment order based on available information or material to the best of his judgement, in case of failure of the taxpayer to make compliances to the notices issued under certain sections. The bill seeks to enlarge the scope of the above power by including non-furnishing of return in response to the notice issued by the Commissioner in case of discontinuation of business under sub-section 3 of section 117.

126A Pecuniary Jurisdiction in Appeal

- ◆ Through Tax Laws (Amendment) Act, 2024 the above section was inserted whereby jurisdiction to file appeal was defined based on the value of assessment of tax. Now the bill seeks to provide clarification on the value of assessment of tax by adding explanation to the above section. It is proposed that value of assessment would mean the net increase in tax liability of a person as a result of order sought to be assailed and the value of refund means net reduction in refund as a result of order sought to be assailed.
- ◆ Under the Tax Law (Amendment) Act, 2024 the time limit to decide the pending cases above the prescribed threshold is 16th June, 2024. Now the bill proposes to extend the said date to 16th September, 2024. The said amendment is proposed to be effective from 16th June, 2024.

147 Advance Tax Paid by the Taxpayer

- ◆ Under the existing Law, the Commissioner has power to estimate advance tax in case of an AOP or a company at 1/4th turnover of the latest tax year for which the return was submitted plus 10%, where such entity fails to provide turnover for the quarter or the turnover for quarter is not known. The bill proposes to increase the rate of 10% to 20%.
- ◆ The Bill seek to propose that the taxpayer will be required to file estimate containing turnover for the quarter completed of the relevant tax year, estimated turnover for the remaining quarters, supporting evidence of expenses or deductions in computing income, evidence of tax payments and tax credits and computation of estimated taxable income.

- ◆ The Commissioner is also proposed to be empowered, if he is not satisfied with the documentary evidences provided or wherein, estimate of the amount of tax payable are not accompanied by details as required under the section, after providing an opportunity of being heard to the taxpayer and the taxpayer then shall pay tax in accordance with section 147(4).

148 Valuation of Imports

- ◆ Under the current laws the tax at the time of imports is to be determined on the value fixed as per the provisions of Custom Act, 1969. Now the bill seeks to empower board to determine the minimum value of goods for the purpose of collection of advance tax under this section.

152 Payments to Non-Residents

- ◆ Under the existing law, the Commissioner is authorized to issue an order to make payment to non-residents, or PE of a non-resident without deduction of tax or deduction of tax at reduced rate.
- ◆ Now the bill proposes to restrict the power of Commissioner to issue only reduced rate certificate.

153 Issuance of Exemption Certificate on Supply of Goods

- ◆ The bill proposes to restrict the power of the Commissioner to issue an exemption certificate without deduction of tax under the provisions of the above section. The bill proposes to restrict the power of commissioner to issue exemption certificate at reduced rate of tax.

154 Exports

- ◆ The bill seeks to bring a paradigm shift in the taxation of the income earned by exporters. Under the existing law, the tax withheld on export proceeds at the rate of 1% is considered as the full and final discharge of tax under the Income Tax Ordinance, 2001. This concessional treatment to the exporters is available on the statute book for more the two decades. Now the bill proposes to convert the withholding tax into minimum tax and, therefore, proposes to charge income earned by the exporter under normal law at the rate applicable under First Schedule of the Income Tax Ordinance, 2001.

- ◆ The bill further proposes to levy advance tax at the rate of 1% on the proceeds of exports in addition to withholding tax of 1%. As a result, the export proceeds would become liable to 2% withholding tax at the time of proceed realization.

159 Exemption or Lower Rate Certificate

- ◆ The bill seeks to make corresponding amendment in the above section by withdrawing the power of the Commissioner to issue an exemption certificate without deduction of tax. Now the commissioner would be empower to issue reduced rate certificate only.

182 Offences and Penalties

- ◆ The bill seeks to add penalties for various offences. Gist of the same is as under:

Sr. No.	Offences	Penalties	Section of the ordinance to which offense has reference
1B	Where any person fails to furnish a return of income as required under sub-section (3) of section 117 within the time specified in the notice	Such person shall pay a penalty equal to higher of (a) 0.1% of the tax payable in respect of that tax year for each day of default; or (b) Rs. 1,000 per day of default: Provided that minimum penalty shall be Rs.10,000 in case of an individual and Rs.50,000 in all other cases	117(3)

Sr. No.	Offences	Penalties	Section of the ordinance to which offense has reference
3A.	Where any person being a trader or a shopkeeper who is required to apply for registration under this Ordinance but fails to register or fails to pay advance tax as specified in a scheme of special procedure Prescribed under section 99B.	The shop of such Person shall be sealed for seven days for first default and for twenty-one days for each subsequent default	99B
10A	Any person who fails to comply with income tax general order issued by the Board within fifteen days of issue of such order.	Such person shall pay penalty of one hundred million rupees for first default and two hundred million for each subsequent default.	114B
12A	Where any person fails to pay tax at the time of making payment as consideration of shares or at the time of registration of shares by the Securities and Exchange Commission of Pakistan or the State Bank of Pakistan whichever is earlier.	Such person Shall pay a penalty equal to fifty percent of the amount of tax involved	37(6)

35	Any company and an association of persons who	Such company, including a banking company and an association of persons shall pay a penalty of Rs.500,000 or 10% of the tax chargeable on the taxable income, whichever is higher."	114(2)
	(a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer;		
	(b) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or		
	(c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed.		

191A Prosecution for Failure to Furnish Information in Return of Income

- ◆ The bill seeks to enhance the compliances of furnishing information in return of income by a company and Association of Persons. The failure to do so is now proposed to be liable to prosecution under the above provision. If such entity:
 - (a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer;
 - (b) furnishes blank or incomplete particulars or information as specified in the return of income; or
 - (c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed, shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both.

191B Prosecution for Non-Registration

- ◆ The board with the approval of Minister in charge is authorized to prescribe special procedure to small trader and shopkeepers under section 99B. The bill now seeks to bring the failure to make registration under such procedure as offence punishable on conviction with imprisonment for a term not exceeding six months or fine or both.



205 Default Surcharge

- ◆ Under the existing Law, the rate of default surcharge is 12% per annum on the tax or penalty or any unpaid amount. The bill proposes to replace the existing tax rate with KIBOR plus 3%.

236G & H – Advance Tax on Sale to Distributors, Dealers, Wholesalers and Retailers

- ◆ Under the existing law advance tax at specified rate is applicable on sale by manufacturer or commercial importer etc. to distributors, dealers, wholesalers and retailers of various sectors including pharmaceutical, poultry and animal feed, edible oil and ghee etc. Now the bill proposes to remove this distinction and proposes to enlarge the scope of provision of above section to all sectors.

239 Period of Limitation

- ◆ Under the Tax Law Amendment 2024, the period of limitation for filing of appeal against the Commissioner Appeal and Appellant Tribunal was reduced from 60 days and 90 days to 30 days respectively. Now the bill seeks to restrict the application of Tax Law (Amendment) Act, 2024 to order passed subsequent to the date of commencement of Tax Law Amendment Act, 2024.

First Schedule

Rates of Tax

Rate of Tax for Individual and AOP other than Salary

Sr. No.	Taxable Income	Existing Rate
(i)	Where taxable income does not exceed Rs. 600,000	0%
(ii)	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	7.5% of the amount exceeding Rs. 600,000
(iii)	Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 15,000 + 15% of the Amount exceeding Rs. 800,000
(iv)	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 75,000 + 20% of the Amount exceeding Rs. 1,200,000
(v)	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 315,000 + 25% of the Amount exceeding Rs. 2,400,000
(vi)	Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 465,000 + 30% of the Amount exceeding Rs. 3,000,000
(vii)	Where taxable income exceeds Rs. 4,000,000	Rs. 765,000 + 35% of the Amount exceeding Rs. 4,000,000

Sr. No.	Taxable Income	Proposed Rates
(i)	Where taxable income does not exceed Rs. 600,000	0%
(ii)	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	15% of the amount exceeding Rs. 600,000
(iii)	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,600,000	Rs. 90,000 + 20% of the Amount exceeding Rs. 1,200,000
(iv)	Where taxable income exceeds Rs. 1,600,000 but does not exceed Rs. 3,200,000	Rs. 170,000 + 30% of the Amount exceeding Rs. 1,600,000
(v)	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 5,600,000	Rs. 650,000 + 40% of the Amount exceeding Rs. 3,200,000
(vi)	Where taxable income exceeds Rs. 5,600,000	Rs. 1,610,000 + 45% of the Amount exceeding Rs. 5,600,000

Impact of New Tax Rate for Individual and AOP other than Salary

Annual Income (Rs)	Existing Tax (Rs)	Proposed Tax (Rs)	Incremental Effect (%)
600,000	-	-	-
1,200,000	75,000	90,000	20%
2,400,000	315,000	410,000	30%
3,000,000	465,000	590,000	27%
4,000,000	765,000	970,000	26%
6,000,000	1,465,000	1,790,000	22%
10,000,000	2,865,000	3,590,000	25%
20,000,000	6,365,000	8,090,000	27%
50,000,000	16,865,000	21,590,000	28%



Rate of Tax for Salaried Individual

Sr. No.	Taxable Income	Existing Rate
(i)	Where taxable income does not exceed Rs. 600,000	0%
(ii)	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	2.5% of the amount exceeding Rs. 600,000
(iii)	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 15,000 + 12.5% of the Amount exceeding Rs. 1,200,000
(iv)	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 165,000 + 22.5% of the Amount exceeding Rs. 2,400,000
(v)	Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 435,000 + 27.5% of the Amount exceeding Rs. 3,600,000
(vi)	Where taxable income exceeds Rs. 6,000,000	Rs. 1,095,000 + 35% of the Amount exceeding Rs. 6,000,000

Sr. No.	Taxable Income	Proposed Rates
(i)	Where taxable income does not exceed Rs. 600,000	0%
(ii)	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
(iii)	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs. 30,000 + 15% of the Amount exceeding Rs. 1,200,000
(iv)	Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs. 180,000 + 25% of the Amount exceeding Rs. 2,200,000
(v)	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 430,000 + 30% of the Amount exceeding Rs. 3,200,000
(vi)	Where taxable income exceeds Rs. 4,100,000	Rs. 700,000 + 35% of the Amount exceeding Rs. 4,100,000

Impact of New Tax Rate for Salaried Individual

Monthly Salary (RS)	Annual Salary (RS)	Existing Tax (Rs)	Proposed Tax (Rs)	Incremental Effect (%)
50,000	600,000	-	-	-
100,000	1,200,000	15,000	30,000	100%
300,000	3,600,000	435,000	549,996	26%
400,000	4,800,000	765,000	945,000	24%
500,000	6,000,000	1,095,000	1,365,000	25%
600,000	7,200,000	1,515,000	1,785,000	18%
700,000	8,400,000	1,935,000	2,205,000	14%
800,000	9,600,000	2,355,000	2,625,000	11%
900,000	10,800,000	2,775,000	3,045,000	10%
1,000,000	12,000,000	3,195,000	3,465,000	8%

Rate of Tax on Dividend from Mutual Fund

The dividend income received from mutual fund is liable to tax at the rate of 15% under the existing law. The bill seeks to increase the rate of 15% to 25% for all those dividend incomes received from mutual funds deriving 50% or more income from profit on debt.

Tax on Toll Manufacturers

The bill seeks to enhance the rate of the withholding tax on toll manufacturers from the existing rate of 5% to 9% in case of a company and from 5.5% to 11% in case of other than a company.

Advance Tax on Purchase, Registration and Transfer of Motor Vehicles

Sr. No.	Engine Capacity	Existing Rate	Proposed Rate
1	Upto 850cc	Rs. 10,000	0.5% of the value
2	851cc to 1000cc	Rs. 20,000	1% of the value
3	1001cc to 1300cc	Rs. 25,000	1.5% of the value
4	1301cc to 1600cc	Rs. 50,000	2% of the value
5	1601cc to 1800cc	Rs. 150,000	3% of the value
6	1801cc to 2000cc	Rs. 200,000	5% of the value
7	2001cc to 2500cc	6% of the value	7% of the value
8	2501cc to 3000cc	8% of the value	9% of the value
9	Above 3000cc	10% of the value	12% of the value

Advance Tax on Telephone and Internet Users

Under the existing law, the Board is empowered to issue general order for persons not appearing on Active tax payer's list but liable to file return under provisions of the Ordinance. By virtue of the said general order, the mobile phone connection, electricity and gas connection of the person appearing in the said order can be disconnected. Now the bill proposes to provide withholding tax rate of 75% on bills or sale price of internet card or prepaid telephone card or sale of units to any electronic medium or whatever form.



Advance Tax on Sale or Transfer of Immovable Property

- Under the existing law, advance tax on sale of immovable property is 3% for persons appearing on active taxpayer's list and 6% for inactive taxpayers irrespective of the sale price of the immovable property. The bill proposes progressive slab rate for advance tax.
- The bill further proposes to introduce a new concept of persons appearing on active taxpayer's who have not filed the tax return by due date or by the extended due date.
- The comparison of existing and proposed rate for persons appearing in ATL (ATL), person who are not appearing in ATL (non ATL) and persons appearing in ATL who have not filed return within time (late filer), is as under

Sr. No.	Consideration Received	Existing Rate		Proposed Rate		
		ATL	Non-ATL	ATL	Non-ATL	Late Filer
(1)	Where the gross amount of the consideration received does not exceed Rs. 50 million			3%	10%	6%
(2)	Where the gross amount of the consideration received does not exceed Rs. 50 million	3%	6%	3.5%	10%	7%
(3)	Where the gross amount of the Consideration received exceeds Rs. 100 million			4%	10%	8%



Advance tax on Purchase or Transfer of Immovable Property

- Under the existing law, advance tax on purchase of immovable property is 3% for persons on active taxpayer's list and 10.5% for inactive taxpayers irrespective of the purchase price of the immovable property. The bill proposes progressive slab rate for advance tax.
- The bill further proposes to introduce a new concept of persons appearing in active taxpayer's who have not filed the tax return by due date or by the extended due date.
- The comparison of the existing and the proposed tax rate is as under:

Sr. No.	Fair Market Value	Existing Rate		Proposed Rate		
		ATL	Non-ATL	ATL	Non-ATL	Late Filer
(1)	Where the fair market value does not exceed Rs. 50 million	3%	10.5%	3%	12%	6%
(2)	Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million			3.5%	16%	7%
(3)	Where the fair market value exceeds Rs. 100 million			4%	20%	8%

SECOND SCHEDULE

EXEMPTIONS AND TAX CONCESSIONS

PART-1 Exemption from Total Income

- The bill seeks to extend the exemption to income available to an individual or company and AOP resident in tribal areas for another year upto 30th June 2025.
- Similarly, concessions available to such enterprises on withholding taxes under clause 109A and 110 of the Part-IV is also proposed to be extended for the period of another year till June 30, 2025.

PART-II Reduction in Tax Rates

The bills seeks to increase the existing reduced rate of withholding tax of 1% available to distributors of cigarette under 153(1)(a) to 2.5% of the amount of payments.

PART-III Reduction in Tax Liability

Under the existing law, full time teacher or researcher is allowed 25% reduction in tax liability. Now the bill proposes to withdraw such concession.

SEVENTH SCHEDULE

Rules for Computation of the Profits and Gains of a Banking Company and Tax Payable Thereon

- The bill proposes to amend rule relating to computation of profit and gains of the banking company keeping in view the changes due to certain international financial reporting standards. Gist of the same is as under:

- The amount of "bad debts" classified as "substandard" or "doubtful" under the Prudential Regulations issued by the State Bank of Pakistan or provisions for advances, off-balance sheet items or any other financial asset classified in stage I, II or III as performing, under-performing or non-performing under any applicable accounting standard including IFRS 09 shall not be allowed as expense:

Provided that only "bad debts" classified as "loss" pertaining to non-performing assets under the Prudential Regulations issued by the State Bank of Pakistan shall be allowed as expense.";

- Provisions or Expected Credit loss for Advances and off balance sheet items or any other financial asset existing before or after the 1st day of January, 2024 under IFRS 09 shall not be allowed as an expense or deduction."
- Under existing clause G, adjustments made on account of application of international accounting standard 39 and 40, are excluded in arriving at taxable income. The explanation existing to above clause clarifies that nothing in this clause shall be construed to allow a notional loss or charge to tax any notional

gain on any investment. The bill seeks to remove the reference to standard 39 and 40 and make the above principle applicable for all accounting standards or policies or any guideline or instructions of State Bank of Pakistan.

TENTH SCHEDULE

- ♦ The bill proposes significant changes in the above schedule whereby various withholding tax rates have been increased for persons not appearing on active taxpayer's list.

Various Advance Tax Withholding Rates for Persons not Appearing on Active Taxpayer's List: -

Sr. No.	Section	Description	Existing Rate	Proposed Rate
1.	Section 151	On yield or profit on debt	30%	35%
2.	Section 236C	On the gross amount of consideration received on sale or transfer of immovable property	6%	10%
3.	Section 236G	On the gross amount of sale to distributors, dealers or wholesalers other than sale of fertilizer.	0.2%	2%
4.	Section 236H	On the gross amount of sale to retailers	1%	2.5%



SALES TAX

ACT, 1990



SALES TAX ACT, 1990

Definitions:

Associates (Associated Persons) & Board-Section [2(3) & 2(4)].

- ◆ The bill proposes to substitute the definitions of “Associates” and “Board” so as to align with the definitions provided under section 85(1) & 2(8) respectively of the Income Tax Ordinance, 2001.

Investigative audit - Section 2(14A).

- ◆ The bill proposes to insert new definition of “Investigative audit” that investigative audit would mean audit under section 25A of the STA, 1990. The detailed commentary is provided on section 25A in later part of this brief.

Licensed Integrator -Section 2(15A).

- ◆ The bill proposes to define the Licensed integrator as any person licensed by the Board to provide electronic invoicing system for integration of registered persons in the prescribed manner.

Tax Fraud – Section 2(37); -

- ◆ The bill proposes to substitute the definition of tax fraud thereby enlarging the scope of word tax fraud. Following is the definition proposed by finance bill;

(37) “tax fraud” means intentional evasion of legally due tax or obtaining of undue refund by submission of false return, statements or false documents or withholding of correct information or documents and includes-

- a) Suppression of sales and receipts that are chargeable to tax.
- b) False claim of input tax credit.
- c) Making taxable supplies without issuing of the tax invoices.
- d) Issuance of tax invoice without supply of good leading to inadmissible claim of input tax credit or refund.
- e) Evasion of tax by availing undue input tax credit or obtaining inadmissible refund.
- f) Collection of any amount as tax but failing to deposit the same in the prescribed manner beyond the period of three months from the due date of payment of tax
- g) Substitution of financial records or production of fake accounts or documents of furnishing of

any false information through any mean (Human, mechanical & electronic) with the intention to evade tax or claim inadmissible refund

- h) Tempering or destroying any material evidence or documents required to maintain under the Act or the rule made thereunder through human or digital means.
- i) Acquisition, possession, transportation, disposal or in any way removing, depositing, keeping concealing, supplying, or purchasing or in any other manner dealing with, any good in respect of which there are reason to believe that these are liable to confiscation under this Act or the rule.

Explanation.- Any Act or omission in this clause shall be treated as intentional unless the person accused of tax fraud proves that he had no intention, motive, knowledge or reason to believe that he was committing a tax fraud.

Time of Supply - Section 2(44)

- ◆ The bill proposes to amend the definition of time of supply to include “time of payment” in respect of supply meaning thereby that sales tax will also be chargeable on advance payment. As per proposed definition, the time of supply would be treated as time at which goods are delivered or time when payment in respect of such goods is received, whichever is earlier.
- ◆ The advance payment was earlier omitted from definition of time of supply through FA, 2021 which is now again proposed to be enacted.

Scope of Tax – Section 3(11)

- ◆ The bill proposes to omit sub-section (11) of the section 3 wherein the Board was empowered to require any class of person to integrate their invoice issue machine with the Board's computerized system for real time reporting of sales and same has been proposed to be added under section 40C.

Assessment of Tax & Recovery of Tax not levied or short levied or erroneously refunded –Section 11

- ◆ The bill proposes to completely revamp the legal provisions related to assessment and audit under the Act. In this context, bill proposed to omit the existing section 11 whilst propose to add new

- ♦ sections **11D, 11E, 11F & 11G** regarding assessment and audit. The scheme of assessment and audit of sales tax affairs is proposed to be aligned with ITO, 2001.

Limitation of issuing order in certain cases - Section 11B.

- ♦ The bill proposes to substitute existing section 11B to align the legal provisions related to appeal effect with section 124 of the Income Tax Ordinance, 2001. Earlier the appeal effect provisions contained in ITO, 2001 and STA, 1990 were not at par, now provisions are being aligned to remove such differences under both laws.

Best Judgment Assessment – Section 11D

- ♦ The bill proposes to introduce new section for best judgment assessment akin to the section 121 of the ITO, 2001 to bring the same concept of best judgment assessment under the Act, 1990.
- ♦ The bill proposes that in cases where
 - person fails to file sales tax return in response to notice;
 - fails to produce record in audit proceedings, the competent officer can frame best judgement assessment of tax due after issuance of show cause notice on basis of available information. However, if person files sales tax return later, the best judgement proceedings shall abate. The Board has been empowered to specify conditions to determine minimum tax liability in cases where a person fails to file return and officers of inland revenue shall follow those conditions while computing minimum tax liability.

Earlier, there was a legal gap regarding exparte proceedings in cases selected for audit under the Act. There were no enabling provisions under the Act that empower officer proceed exparte where taxpayers failed to produce record in audit proceeding for whatsoever reason. Now, with proposal to add section 11D and proposed amendment in section 25, the officer can proceed to pass exparte order under this proposed section 11D.

Assessment of Tax and Recovery of tax not levied or short levied or erroneously refunded - Section 11E

- ♦ The bill proposes to introduce the new section 11E which is para materia to erstwhile section 11(2) with only change that is akin to section 174(2) of ITO, 2001. Now sub-section (2) of 11E also provides that where no receipt/record/invoice is produced by person without a reasonable cause, officer is empowered to disallow input tax.

Failure to withhold sales tax -11F.

- ♦ The bill proposes to introduce new section for recovery of sales tax withheld but not deposited or failure to withhold sales tax. This section is para materia to erstwhile section 11(4A).

Limitation for Assessment - section 11G

- ♦ The bill proposes to introduce time limitation for proceedings under sections 11D, 11E and 11F in the following manner:
- ♦ The show cause notice under sections 11D to 11F shall be issued within five years, from the end of the financial year in which the relevant date falls.
- ♦ An order under sections 11D, 11E and 11F shall be made within one hundred and twenty days of issuance of show cause notice or within such extended period as the Commissioner may, for reasons to be recorded, in writing specify, provided that such extended period shall in no case exceed from ninety days:
- ♦ Provided that any period during which the proceedings are adjourned on account of a stay order or Alternative Dispute Resolution proceedings or the time taken through adjournment by the registered person not exceeding sixty days shall be excluded from the computation of the period specified in this sub-section.

De-registration, blacklisting and suspension of registration – Section 21.

- ♦ Under existing law, there is no express words for issuance of blacklisting order in section 21 of the Act, however, now the bill proposes to specifically add issuance of blacklisting order. Further, bill seeks to add a sub section (5) which provides that the Chief Commissioner either of his own motion or on application made by the registered person,

call for and examine the record of blacklisting proceedings thereby may modify blacklisting order after affording an opportunity of being heard. Accordingly, a remedy against blacklisting order is proposed to be provided to registered person relating to blacklisting proceedings and obtaining relief in shape of modification etc. from Chief Commissioner.

- ◆ Corresponding changes have also been proposed in section 46, wherein, right of appeal against blacklisting order before ATIR has been abandoned. It means that now blacklisting order can only be challenged before CCIR within departmental hierarchy. Against unfavorable decision of CCIR registered person has remedy to challenge such decision directly before High Court.

Tax Invoices –Section 23.

- ◆ The bill seeks to streamline the existing sub-section 3 of section 23 of the Act by substituting it to provide for issuing electronic invoices subject to such conditions, restrictions and limitations as the Board may, by notification in the official Gazette, specify.

Audit of Sales Tax Affairs - Section 25

- ◆ The bill proposes to substitute the section 25 thereby revamping the sales tax audit procedure entirely. There had been long standing litigation on selection and process of conducting audit. The newly proposed section seems to be much aligned with decision/direction of courts and remove ambiguities and define a clear process.
- ◆ Sub section (1) & (2) provides that Commissioner can select a person for audit for which Commissioner has to provide reasons in writing. However, it has also been explained/clarified that Commissioner may not provide an opportunity of hearing before issuance of notice under sub-section (1). It seems that ibid section proposed to tackle a situation whereby one of apex court held that Commissioner should obtain record from registered person before selection of audit.
- ◆ The sub section (3) further makes it stringent upon Commissioner that reasons of selection of audit should not include the mere verification of input tax, output tax, refund claim and compliance of legal provisions without identifying risk factors that require such verification.
- ◆ Sub section (4) to (8) enable the officer to obtain record and conduct audit in the manner and to the extent provided therein.

- ◆ Changes proposed in sub section (9) are important to analyze. The existing phrase “after obtaining the registered person's explanation on all the issues raised in the audit” has been proposed to be omitted with a view to not make it binding to issue audit report as in recent past number of decisions of department has been annulled due to non-issuance of audit report. However, this amendment may not absolve departmental officers from issuing audit report for the reasons that audit report is integral part of an audit, it is fundamental right of taxpayers that an audit report has been provided to them on issues highlighted in audit and Sales Tax rules, 2006, duly provides for issuance of audit report.
- ◆ A legal lacuna in the cases where registered persons failed to produce record has been filled through sub section (10), which provides that in case registered persons failed to produce any document, officer may pass best judgement assessment order under section 11D. Earlier, there were no enabling provision to proceed exparte.
- ◆ A new sub section (11) is proposed which provides that if after conducting audit under section 25, officer suspects that such person is involved in tax fraud, he may with the approval of Commissioner, conduct an investigative audit under section 25AB.

Investigative Audit - Section 25AB

- ◆ Strong measures have been proposed to be taken to mitigate tax fraud and scope of definition of tax fraud has been enlarged as well as investigation mechanism of such tax fraud has also been provided. In this backdrop, the bill proposed to introduce a section for conducting an investigative audit being a new layer of audit on the basis of information received from audit conducted under section 25 or otherwise, if officer suspects that a registered person is involved in tax fraud on the balance of probabilities.
- ◆ The audit can only be initiated with prior approval of Commissioner. The audit shall be conducted within 90 days of initiation of audit on the basis of the record and evidence obtained under sections 37, 37A, 38, 38A, 38B and 40.
- ◆ After completion of audit, the officer may take one or more of following actions;
 - (a) pass an order under section 11E.

(b) issue a best judgment assessment order under section 11D.

(c) black list the registered person under section 21.

(d) impose penalty and cause prosecution of the registered person.

Return - Section 26(2A)

- ◆ The bill proposes to insert new sub-section 2A in section 26 of the Act, empowering the Officer of Inland Revenue to require any person who in his opinion, is required to file a return but failed to do so. Furthermore, notice under this proposed section can be issued within 15 years from the end of financial year in which the return was required to be filed in case of tax fraud and in 5 years in all other cases.
- ◆ The provision seems to align with best judgement assessment to allow department to require persons to file returns for prior five years. However, this provision contradicts with record keeping limit of 6 years as provided under section 24.

Offences and Penalties - Section (33).

- ◆ The bill proposes to substitute and insertion of new entries for certain offences and penalties for those offences in table to section 33.
- ◆ Penalties mentioned at serial No. 11 & 13 of the table for different offence are proposed to be substituted. The substituted penalties are provided as under;

Offence	Penalty
11. Any person who, – (a) submits a false or forged document to any officer of Inland revenue or (b) destroys, alters, mutilates or falsifies the records including a sales tax invoice; or (c) Knowingly or fraudulently makes false statement, false declaration, false representation, false personification, gives any false information	The person who commits, causes to commit or attempt to commit the tax fraud shall pay a penalty of twenty five thousand rupees or one hundred percent of the amount of tax evaded or sought to be evaded, whichever is higher. Without prejudice to the above, he shall also be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to five years if the tax evaded or

Offence	Penalty
or issues or uses a document which is forged or false.	sought to be evaded is upto five hundred or million or above, and which may extend to ten years if the tax evaded or sought to be evaded is one billion and above and fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded. The person who abets or connives in commissioning of tax fraud shall be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to five years if the tax evaded or sought to be evaded is upto five hundred million or above and which may extend to ten years if the tax evaded or sought to be evaded is one billion and above, and with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded”
13. Any person who commits, causes to commit or attempts to commit the tax fraud, or abets or connives in commissioning of tax fraud.	The person who commits, causes to commit or attempt to commit the tax fraud shall pay a penalty of twenty five thousand rupees or one hundred percent of the amount of tax evaded or sought to be evaded, whichever is higher. Without prejudice to the above, he shall also be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to five years if the tax evaded or sought to be evaded is upto five hundred million and above, and which may extend to ten years if the tax evaded or sought to be

	<p>evaded is one billion and above and fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded.</p> <p>The person who abets or connives in commissioning of tax fraud shall be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to five years if the tax evaded or sought to be evaded is upto five hundred million and above and which may extend to ten years if the tax evaded or sought to be evaded is one billion and above, and with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded</p>
<p>25AA. Any licensed integrator who is authorized to provide electronic invoicing system for integration of registered persons fails to integrate such registered persons in the manner as required under this Act and rules made thereunder.</p>	<p>Such person shall be liable to pay penalty of rupees one million or one percent of the total value of the sales suppressed, Whichever, is higher.</p>

case may be, refund of tax exceeding ten million rupees shall on and from the 16th day of June, 2024 stand transferred to the Appellate Tribunal Inland Revenue. Now the bill has proposed to defer time of transfer of cases till September 16th, 2024.

- ◆ The bill has proposed to withdraw the right of appeal before ATIR in case of order of black listing issued under section 21. Now the said order can be assailed before Chief Commissioner.

Savings – Section 47AB

- ◆ The bill has proposed new section to provide saving of time limitation that stood before promulgation of Tax Laws (Amendment) Act, 2024, of filing appeal before ATIR by the Board (as provided in erstwhile clause (c) of 46(1)) or filing reference before High Court by any person shall continue to apply where any decision of the commissioner (Appeals) or the Appellate Tribunal is received prior to the date of commencement of the Tax Laws (Amendment) Act, 2024.

Third Schedule

- ◆ The bill proposes to make DAP as Third Schedule goods.

Fifth Schedule

- ◆ The bill proposes to omit following entries from fifth schedule thereby abolishing zero rating regime of said entries which mainly includes stationary items (Pencils, Pens, ball pens, markers and porous tipped pen, colors, erasers, writing drawing inks, exercise books etc.), preparation for infants, milk & fat filled milk and local supplies to registered exporters. The entries are as follows.

Sr. No.	Description
12	<p>The following goods and the raw materials, packing materials, sub-components, components, sub-assemblies and assemblies imported or purchased locally for the manufacture of the said goods, subject to the conditions, limitations and restrictions as prescribed by the Board]:--</p> <p>(xvii) Preparations suitable for infants, put up for retail sale not exceeding rupees six hundred per two hundred grams (PCT Heading 1901.1000)</p> <p>(xx) Colors in sets (PCT heading 3213.1000).</p>

Default Surcharge –Section 34.

- ◆ The bill seeks to align the rate of default surcharge with SBP's policy rate of KIBOR plus 3%.

Appeals before Commissioner Appeal and Appellate Tribunal – Section 43A, 45B, 46

- ◆ Section 43A was inserted vide Tax Laws (Amendment) Act, 2024, dated 3.5.2024 wherein pecuniary jurisdiction in appeals was defined. It was also provided in ibid section that cases pending before the Commissioner (Appeals) having the value of assessment of tax or, as the

Sr. No.	Description
12	(xxi) Writing, drawing and marking inks (PCT heading. 3215.9010 and 3215.9090) (xxii) Erasers (PCT heading 4016.9210 and 4016.9290) (xxiii) Exercise books (PCT heading 4820.2000) (xxiv) Pencil sharpeners (PCT heading 8214.1000) (xxv) other drawing, marking out or mathematical calculating instruments (geometry box) (PCT heading 9017.2000)] (xxvi) Pens, ball pens, markers and porous tipped pens (PCT heading 96.08) (xxvii) Pencils including color pencils (PCT heading 96.09)”.]
16	Milk (PCT heading 04.01)
17	Fat filled milk (PCT heading 1901.9090)]
21	Local supplies of 783[commodities,] raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions as specified therein.]

Sixth Schedule

Table-I

- ♦ The bill proposes to delete following entries 13, 15, 32, 86, 87, 88, 89, 90, 96, 97, 98, 112, 120, 151, 166, 169, 170, 174 from the sixth schedule thereby making them taxable at standard rate of 18%.

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
13	Edible vegetables imported from Afghanistan including roots and tubers, except ware potato and onions, whether fresh, frozen or	0701.1000, 791[***], 0702.0000, 792[***], 0703.2000, 0703.9000, 0704.1000,

	otherwise preserved (e.g. in cold storage) but excluding those bottled or canned.	0704.2000, 0704.9000, 0705.1100, 0705.1900, 0705.2100, 0705.2900, 0706.1000, 0706.9000, 0707.0000, 0708.1000, 0708.2000, 0708.9000, 0709.1000, 0709.2000, 0709.3000, 0709.4000, 0709.5100, 793[***], 0709.6000, 0709.7000, 0709.9000, 0710.1000, 0710.2100, 0710.2200, 0710.2900, 0710.3000, 0710.4000, 0710.8000, 0710.9000, 0712.2000, 0712.3100, 0712.3200, 0712.3300, 0712.3900 and 0712.9000
15	Fruit imported from Afghanistan excluding apples PCT 0808.1000	0804.1010, 0804.1020, 0804.2000, 0804.3000, 0804.4000, 0804.5010, 0804.5020, 0804.5030, 0805.1000, 0805.2910, 0805.2100, 0805.2200, 0805.2990, 0805.4000, 0805.5000, 0805.9000,

		0806.1000, 0806.2000, 0807.1100, 0807.1900, 0807.2000, 0808.3000, 0808.4000, 0809.1000, 0809.2000, 0809.3000, 0809.4000, 0810.1000, 0810.2000, 0810.4000, 0810.5000, 0810.6000, 0810.9010, 0810.9090, 0811.1000, 0811.2000, 0811.9000, 0813.1000, 0813.2000, 0813.3000, 0813.4010, 0813.4020 and 0813.4090]
32	Newsprint and books but excluding brochures, leaflets and directories	Respective headings
86	Colors in sets (Poster colors)	3213.1000
87	Writing, drawing and making inks	3215.9010 and 3215.9090
88	Erasers	4016.9210 and 4016.9290
89	Exercise books	4820.2000
90	Pencil sharpeners	8214.1000
96	Other drawing, marking out or mathematical calculating instruments (geometry box)	9017.2000
97	[Pens, ball pens, markers and porous tipped pens]	96.08

98	Pencils including color pencils	96.09
98	Following cardiology / cardiac surgery, neurovascular, electrophysiology, endosurgery, endoscopy, oncology, urology, gynaecology, disposables and other equipment:-- A. ANGIOPLASTY PRODUCTS 1. Coronary Artery Stents 2. Drugs Eluting Coronary Artery Stents 3. Coronary Artery Dilatations Catheters (Balloons) 4. PTCA Guide Wire 5. PTCA Guiding Catheters 6. Inflation Devices/Priority Packs 7. 859[Optical Coherence Technology (OCT) System 8. OCT Catheters 9. Intravascular Ultrasound (IVUS) 10. Fractional Flow Reserve (FFR/IFR) System 11. IVUS/FFR/IFR Catheters and wires 12. Support Micro Catheters (Straight and Angled) 13. Drug Coated Angioplasty Balloon 14. Coronary and Peripheral Micro Coils 15. Thrombectomy Device 16. Thrombus Aspiration Catheters 17. Covered Stents (Coronary/Peripheral) 18. Vessel Closure Devices 19. Embolic Protection Devices 20. Renal Stents	Respective headings

<p>21. Vena-cava Filters 22. Coronary and Peripheral Snares 23. Atherectomy Devices 24. IABP Consoles & Catheters 25. Intracardiac Echocardiography Machine & Catheters]</p> <p>B. ANGIOGRAPHY PRODUCTS</p> <ol style="list-style-type: none"> 1. Angiography Catheters 2. Sheaths 3. Guide Wires 4. Contrast Lines 5. Pressure Lines 6. Manifolds 7. 860[Wrist Bands for Radial Vessel Closure] <p>C. CONTRAST MEDIA FOR ANGIOGRAPHY/ANGIOPLASTY</p> <ol style="list-style-type: none"> 1. Angiography Accessories 2. ASD Closure Devices 3. ASD Delivery Systems 4. VSD Closure Devices 5. VSD Delivery System 6. Guide Wires 7. Sizing Balloons 8. Sizing Plates 9. PDA Closure Devices 10. PDA Delivery System <p>D. TEMPORARY PACEMAKERS (with leads, connectors and accessories)</p> <p>E. PERMANENT PACEMAKER. (With leads, connectors and accessories)</p> <p>F. HEART FAILURE</p>		<p>DEVICES (With leads, connectors and accessories) G. IMPLANTABLE CARDIOVERTES (With leads, connectors and accessories) H. CARDIAC ELECTROPHYSIOLOGY PRODUCTS</p> <ol style="list-style-type: none"> 1. Electrophysiology catheters 2. Electrophysiology cables 3. Electrophysiology connectors 4. 861[Excimer Laser System with Accessories 5. Laser Sheath, Occlusion Balloons, Dilator Sheaths (Rotation & Manual) 6. Intra Cardiac Echocardiography (ICE) System and Accessories 7. Lead Locking Devices and Accessory Kit 8. Remote EP Monitoring Device and Accessories 9. Ablation catheters 10. 3-D Cardiac Mapping System 11. Cry balloon System and Accessories] <p>I. LEAR CARDIOLOGY PRODUCTS</p> <ol style="list-style-type: none"> 1. Radioactive isotopes I. Cold kits (cardiologic MAA, DTPA etc.) <p>J. CARDIAC SURGERY PRODUCTS</p> <ol style="list-style-type: none"> 1. Oxygenators 2. Cannulas 3. Prosthetic Heart Valves 	
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<p>4. Luminal shunts for heart surgery</p> <p>5. Artificial limbs and Appliances</p> <p>6. 862[High-Flow, Low-profile Percutaneous Heart Pump PHP Console and Catheters</p> <p>7. Tandem Heart / Tandem Lung and Accessories</p> <p>8. Ventricular Assist Device System</p> <p>(a) Heart Mate-II</p> <p>(b) Heart Mate-III</p> <p>(c) Centri Meg LEOV</p> <p>9. Beating Heart Surgery stabilizers & Coronary Shunts</p> <p>10. Minimally invasive surgery equipment & Instruments</p> <p>11. RF Ablation equipment for AF (Surgical)</p> <p>12. Heart Lung Machines]</p> <p>K. EQUIPMENT</p> <p>1. Cardiac Angiography Machine</p> <p>2. Echocardiography Machines</p> <p>3. ETT Machines</p> <p>4. Gamma Camera for Nuclear Cardiology Studies</p> <p>5. 863[Left Ventricular Assist Device / System (LVAD) and Catheters</p> <p>6. Mitra Clip Transcatheter Mitral Valve System</p> <p>7. MitraClip Guide Catheter, Clip and Delivery System</p> <p>8. Patent Foramen Ovale (PFO) Closure Device</p>		<p>9. Left Atrial Appendage (LAA) Occluder</p> <p>10. Transcatheter Aortic / Heart Valve System (TAVI/TAVR)</p> <p>11. Cerebral Retrievable Stents</p> <p>12. Aortic Stent Grafts</p> <p>13. Embolization Coils, Delivery System, Filling Coil</p> <p>14. Abdominal Aortic Aneurysm (EVAR) System and Accessories/thoracic EVAR/extension</p> <p>15. Insertable Cardiac Monitor (ICM)</p> <p>16. Carotid Stents</p> <p>17. Vascular Clips</p> <p>18. MRI Compatible Cardiac Monitor, Infusion Pump, Anesthesia Machine with Accessories]</p> <p>L. PERIPHERAL INTERVENTIONS EQUIPMENT</p> <p>Disposables and other equipment for peripheral interventions including stents (including carotid and wall stents), balloons, sheaths, catheters, guide wires, filter wires, coils, needles, valves (including rotating homeostatic valves), connecting cables, inflation devices adapters</p> <p>864[“Drug Eluting Peripheral Stents”].</p>	
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120	<p>Diagnostic kits or equipment, namely:- HIV Kits 4C Es Trionyx 5C Cell control Lnormal Bovine precision multi sera Pregnancy test DNA SSP DRB Generic IC Reticulocyte count (control) retic C Control Kit for vitamin B12 estimation Ferritin kit HEV (Hepatitis E virus) ID-DA Cell Urine Analysis Strips Albumin beg Cratinin sysi Ring Detektiion cups ISE Standard Alkaline phosphatase (Alb) Bilirubin kit HDL Cholesterol Ck creatinin kinase (mb) Ck nac Glucose kit Ammonia Modular Lac Ldh kit (lactate dehydrogenase kit) Urea uv kit Ua plus Tina quant Crp control Aslo tin Proteins Lipids HDL/LDL cholesterol Protein kit U Control Sera Pac Control HCV</p>	Respective headings	<p>UIBC (Unsaturated iron binding capacity) U/CSF Inorganic Phosphorus kit Kit amplicon kit (for PCR) Ige Lc hsv Oligo NA/K/CL Hcy Standard [or calibrated] Hla B27 Liss Coombs Typhoid kit HCV amp Urine test strips Strips for sugar test Blood glucose test strips Kits for automatic cell separator for collection of platelets Elisa or Eclia kit PCR kits Immunoblast (western blot test). I.C.T. (Immunochromatographic kit) CBC Reagent (For hematology analyzer) Complete blood count Reagent.</p>	
			(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, 2024,	Respective headings

151	<p>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 post-dated cheque for the amount of sales tax payable under the Sales Tax Act, 1990, and the same shall be returned to the importer after presentation 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 .</p>	
152	Supplies of electricity, as made from the day of assent to the Constitution (Twenty-fifth Amendment) Act,	2716.0000

	2018, till 30th June, 2024, to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas which were set and started their industrial production before 31st May, 2018, but excluding steel and ghee or cooking oil industry.	
166	Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more	Respective headings
169	Oil cake and other solid residues	2306.1000
170	Tractor	8701.9220 and 8701.9320
174	Machinery and equipment as listed at serial number 32 of the Table of Part-I of Fifth Schedule to the Customs Act, 1969 (IV of 1969), subject to the conditions, limitations and restrictions specified thereunder.	Respective headings

- ◆ The bill proposes to omit the words “imported by or” in the serial No. 165 of Sixth Schedule.
- ◆ The bill proposes to add following new entries in Table-1 of Sixth Schedule.

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
175	Import of all goods received, in the event of a natural disaster or other catastrophe, as gifts and relief consignments or any goods received as gift or donation from a foreign government or organization by the Federal or Provincial Governments or any public sector organization. Subject to the recommendations of the Minister Incharge and concurrence by the Federal Board of Revenue subject to condition that the concerned Ministry shall verify the genuineness of such cases and furnish an undertaking to the effect that donated goods shall not be sold, utilized or disposed of otherwise than for the purpose for which the same have been imported.	9908(i) and 9911

176	POL products: (i) MS (Petrol) (ii) High Speed Diesel Oil (iii) Kerosene (iv) Light Diesel Oil	2710.1210, 2710.1931, 2710.1911 and 2710.1921
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Sixth Schedule

Table-II

- ◆ The bill proposes the following entries shall be omitted in the Table 2 of Sixth schedule.

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
7	vermicillies, 921[***], sheer mal, bun and rusk excluding those sold in bakeries, 922[***] and sweet shops falling in the category of Tier-1 retailers	Respective heading
21	Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal	2306.3000, 2306.4900 and respective headings

- ◆ The bill proposes to add following new entries after the serial No. 55

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
56	Milk excluding that sold under a brand name	04.01
21	Iron and steel scarp	7204.4100 7204.3000 7204.4990

Eight Schedule-Table 1

- The bill propose the following entries shall be omitted.

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969	Rate of sales tax	Condition
58	LPG	2711.19 10	10%	Imports thereof and local supplies of such imported LPG.”.]
66	Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales	Respective heading	15%	if supplied goods are finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather subject to the condition that they have maintained 4% value addition during the last six months”; and

73	Locally manufactured Hybrid electric vehicle:	87.03 87.03		Imports thereof and local supplies of such imported LPG.”.]
	(a) Upto 1800 cc (b) From 1801 cc to 2500 cc		8.5% 12.75%	

- The bill proposes the substitution of following entry 77.

Sr. No.	Existing entry and existing rate	New entry and new rate
77	personal computers and Laptop computers, notebooks whether or not incorporating multimedia kit	Imported personal computers and Laptop computers, notebooks whether or not incorporating multimedia kit
77	5%	10%

- The bill proposes to exclude from Sr. No. 81, related to medicines, the medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except the following, even if medicated or medicinal in nature, namely:-
 - (a) filled infusion solution bags imported with or without infusion given sets;
 - (b) scrubs, detergents and washing preparations;
 - (c) soft soap or no soap;
 - (d) adhesive plaster;
 - (e) surgical tapes;
 - (f) liquid paraffin;
 - (g) disinfectants, and
 - (h) cosmetics and toilet preparations.

- ♦ The bill proposes the addition of following new entries after the serial No. 83 in the table 1 of Eight Schedule.

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969	Rate of sales tax	Condition
84	(i) Writing, drawing and marking inks (ii) Erasers (iii) Exercise books (iv) Pencil sharpeners (v) other drawing, marking out or mathematical calculating instruments (geometry box) (vi) Pens, ball pens, markers and porous tipped pens (vii) Pencils including color pencils	3215.9010 and 3215.9090 4016.9210 and 4016.9290 4820.2000 8214.1000 9017.2000 96.08 96.09	10%	Imports thereof and local supplies of such imported LPG.”.]

85	(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, –	Respective headings	i) 6% till 30.06.2025 (ii) 12% from 1.7.2025 till 30.06.2026	Provided that, in case of imports, the same shall be allowed clearance by the Customs authorities on presentation of pay order for the amount of tax payable under this Act 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.
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86	Supplies of electricity, as made to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas which were set and started their industrial production before 31st May 2018, but excluding steel and ghee or cooking oil industries	2716.0000	(i) 6% till 30.06.2025 (ii) 12% from 1.7.2025 till 30.06.2026	Imports thereof and local supplies of such imported LPG.”.]
87	Oil cake and other solid residue	2306.1000	10%	
88	Tractors	8701.9220 and 8701.9320	10%	
89	Local supply of vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers	Respective headings	10%	

90	Local supply of poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal	2306.3000, 2306.4900 and respective headings	10%	Subject to the condition that refund of excess input tax, if any, shall not be admissible
91	Newsprint and books but excluding brochures, leaflets and directories	Respective headings	10%	Subject to the condition that refund of excess input tax, if any, shall not be admissible

Ninth Schedule:

- ◆ In the ninth schedule the bill proposes substitution of Table-II as follows:

Sr. No.	Description/ Specification of Goods	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs)	Sales tax on import in CKD / SKD condition	Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4)
1.	Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer , at the rate as indicated against each category			

	A. Not exceeding US\$ 500	18% ad valorem	18% ad valorem	18% ad valorem
	B. Exceeding US\$ 500	25% ad valorem	18% ad valorem	18% ad valorem

- ♦ The bill proposes to omit clauses (iii), (iv) and (v) after Table-II, under the heading LIABILITY, PROCEDURE AND CONDITIONS which are as follows:
- ♦ (iii) The tax paid under this Schedule shall not be deductible against the output tax payable by the purchaser or importer of the goods specified in this Schedule;
- ♦ (iv) The input tax paid on the input goods attributable to the goods specified in this Schedule shall not be deductible for the tax payable under this Schedule; and
- ♦ (v) The Board may prescribe further mode and manner of payment of tax due under this Schedule.

**In the Eleventh Schedule:
Withholding Tax Rate:**

- ♦ Following substitution is proposed in S.no 7

7.	Existing rate of Withholding	Proposed rate of deduction
Registered persons manufacturing lead batteries	75% of the sales tax applicable	85% of the sales tax applicable

- ♦ The bill proposes to add following new entries:

9.	Registered persons manufacturing cement	Persons supplying any kind of gypsum under chapter 25 (PCT headings 2520.1010, 2520.1020, 2521.0000) or limestone flux under chapter 25 (PCT	
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		25 (PCT headings 2520.1010, 2520.1020, 2521.0000)	
10.	Registered persons	Persons supplying any kind of coal under chapter 27 (PCT headings 2701.1100, 2701.1200, 2701.1900, 2701.2000, 2704.0010, 2704.0020, 2704.0090) or	80% of the sales tax applicable
11.	Registered persons	Persons supplying any kind of waste of paper and paper board (Respective headings)	80% of the sales tax applicable
12.	Registered persons	Persons supplying any kind of plastic waste (Respective headings)	80% of the sales tax applicable
13.	Registered persons	Persons supplying crush stone and silica	80% of the sales tax applicable

After table in Eleventh Schedule clause (viii) will be substituted. Earlier if supplies made by Active person were not subject withholding except advertisement services. Now Sr. No.5, 7, 9, 10, 11, 12 & 13 are further added in exception means withholding will be made even if said supplies are made by Active taxpayers. Following is comparison of clause before and after change.

Existing Clause	Proposed change
Supplies made by an Active Taxpayer as defined in the Sales Tax Act, 1990 to another registered persons with exception of advertisement services	Supplies made by an Active Taxpayer as defined in the Sales Tax Act, 1990 to another registered person with the exception of supplies referred to in S. Nos. 5, 7, 9, 10, 11, 12 and 13 of the Table



FEDERAL EXCISE ACT, 2005

FED ON ALLOTMENT OR TRANSFER OF COMMERCIAL AND RESIDENTIAL PROPERTIES.

- ◆ The bill seeks to introduce new entry in first schedule of the Act to impose FED on allotment or transfer of commercial and residential properties in such mode and manner and subject to such conditions and restrictions as may be prescribed by the Board.
- ◆ Earlier through Finance Act, 2023 scope of charging provision of FED was extended to any item not covered by goods or services listed under the Act which is now given effect through imposition of FED on such transfer of commercial & residential properties.

OFFENCES & PENALTIES

- ◆ The bill proposes to impose penalty under section 19 of the FED Act on the person who installs or removes plant and machinery costing **Rs.50 Million** or above without permission of the commissioner.
- ◆ The bill proposes to seal retail outlet of retailer who is selling cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes in the manner as may be prescribed.

TRANSFER OF APPEALS & LIMITATION FOR FILING OF APPEALS / REFERENCE

- ◆ The Bill proposes to delay the transfer of pending appeals before CIR-Appeals having value of tax exceeding Rs.5 Million to ATIR from existing 16-06-2024 to proposed 16-09-2024.
- ◆ The bill proposes to retain earlier time limitation for filing of appeal to ATIR & reference to High Court against the orders received prior to commencement of the Tax Law (Amendment) Act, 2024.

First Schedule Table-I Excisable Goods

First schedule deals with the chargeability of the FED on the goods.

- ◆ Following new additions are proposed in First Schedule Table-I of the FED Act, 2005.

Sr. No.	Description Of Goods	Headings	Proposed Rate
7a	Acetate tow	Respective heading	Rupees forty four thousand per Kg
8d	Nicotine pouches	Respective heading	Rupees one thousand and two hundred per kg
63	Allotment or transfer of commercial property and first allotment or transfer of residential property in such mode and manner and subject to such conditions and restrictions as may be prescribed by the board	Respective heading	Rupees one thousand and two hundred per kg
64	Sugar supplied by any person to a manufacturer	Respective heading	Rupees fifteen per kg

These proposed additions intend to discourage the use of products containing nicotine.

- ◆ Following entries are proposed to be substituted as follows:

Sr. No.	Description Of Service	Headings	Proposed Rate
8a	E-liquids by whatsoever name called, for electric cigarette kits	Respective heading	Rupees ten [thousand per kg] or Sixty five percent of retail price whichever is higher
8a	Locally produced cigarettes if their on-pack printed retail price exceeds [Twelve thousand five hundred] rupees per thousand cigarettes.	24.02	Rupees [sixteen thousand five hundred] per thousand cigarettes
10	Locally produced cigarettes if their on-pack printed retail price does not exceed [Twelve thousand five hundred] per thousand cigarettes	24.02	Rupees [five thousand and fifty] per thousand cigarettes
13	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers	25.23	[Three Rupees] per kilogram
56	Filter rod for cigarettes	Respective heading	Rupees eighty thousand per kg

- ◆ The Finance Bill, 2024 proposed to enhance rates of FED on cigarettes of different variants.
- ◆ The selling of different brand variants are restricted under FED but brand variants were not explained earlier. Now, the bill proposes to explain the term “brand variants” for clarity. Brand variant means any cigarette brand with

similar logo, name, colour, cigarette brand with similar logo, name, colour, design, pattern or any unique distinguishing mark associated with an existing brand family.

Third Schedule – Conditional Exemption

Table-I Goods

- ◆ Following new exemption is proposed in Third Schedule Table-I of the FED Act, 2005:

Sr. No.	Description Of Goods	Headings
8a	Imports made by diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts, Orders, Rules, Regulations and Agreements passed by the Parliament or issued or agreed by the Government of Pakistan.	Respective heading

Tax Laws Amendment Act, 2024

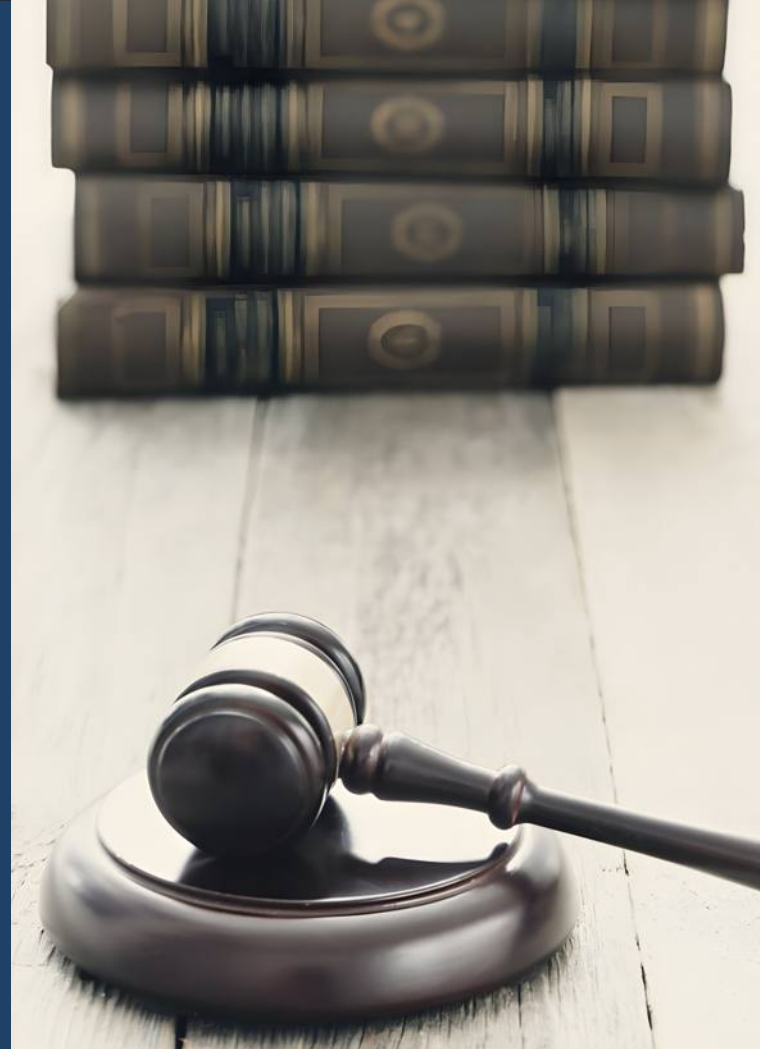


PREAMBLE

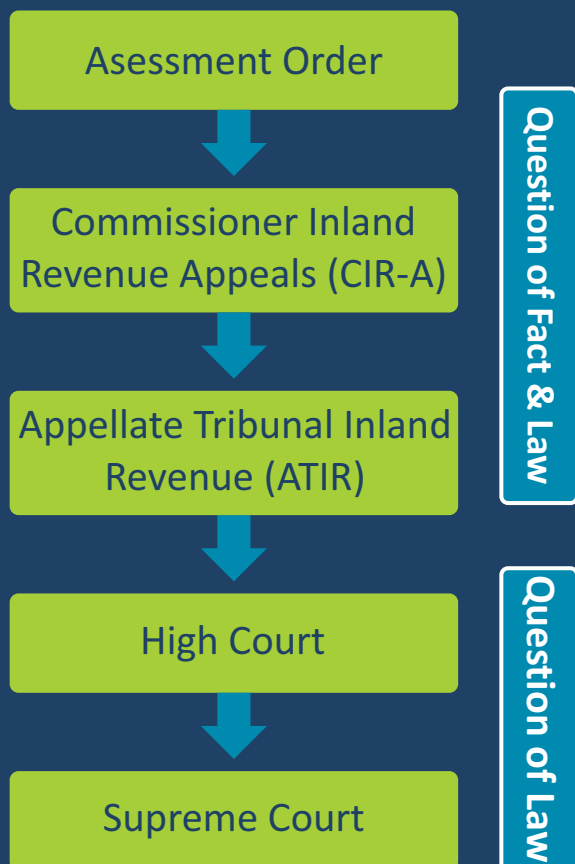
Changes were introduced in Sales Tax Act, 1990, Federal Excise Act, 2005 and Income Tax Ordinance, 2001, by Tax Law (Amendment) Act, 2024. These relate to forums of Appeal, Process of Appeal, Structure of Appellate forums and Alternate Dispute Resolution mechanism. Most of the changes made in above three laws are similar and has been made with intent of streamlining and expediting the appellate process. A gist of the same is as under:

Jurisdiction in Appeals

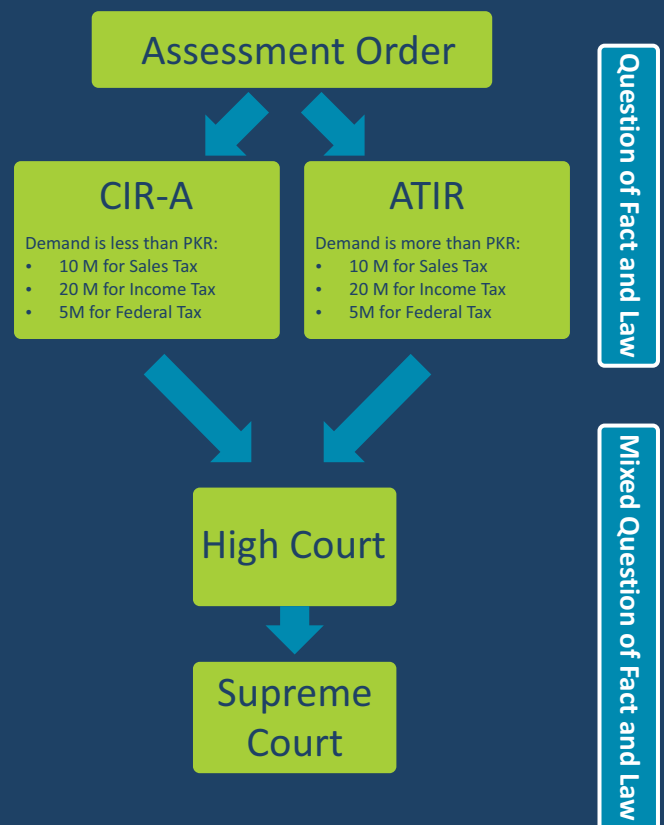
- ♦ The tier of Appellate Forums available to aggrieved taxpayer has been reduced from 4 to 3 in order to expeditiously process the disputed tax demands. The first two stages of Appellate Forum consisting of Commissioner Inland Revenue Appeals (CIR-A) and Appellate Tribunal Inland Revenue (ATIR) has been clubbed together as a first appellate forum and jurisdiction of filing the appeal in either of them has been made dependent on the amount of disputed tax demand or refund as the case may be. The comparison of structure of appeals before and after amendment and pecuniary jurisdiction levels are as under:



Before Amendment Four Tier Structure



After Amendment Three Tier Structure



- ◆ Appeals against the appellate order of CIR-A and ATIR would now be filed directly in respective High Court.

Appeal Fee

The fee for filing of appeal in ATIR and High Court has been increased substantially, to discourage filing of frivolous appeals. The fee for appeal in the High Court has significantly been increased from Rs.100 to Rs.50,000. The comparison of the fee structure is as under:

	Before Amendment		After Amendment	
	Individuals	Companies	Individuals	Companies
Amount in Rupees(Rs.)				
CIR-A	2,500	5,000	2,500	5,000
ATIR	2,500	5,000	5,000	20,000
High Court	100	100	50,000	50,000

Time Limit for filing of Appeal

Similarly, the time limit for filing appeal in ATIR, High Court and Supreme Court of Pakistan, has been substantially reduced. A chart showing the reduction of time is reproduced as under:

	Before Amendment	After Amendment
CIR-A	30 Days	30 Days
ATIR	60 Days	30 Days
High Court	90 Days	30 Days

Appellate Tribunal Structure

- ◆ Distinction between the Judicial Member and the Accountant Member has been removed.
- ◆ The Chairman of Tribunal to be appointed by the Federal Government for the period of three years.
- ◆ The minimum experience to become member of ATIR for an Advocate of High Court increased from 10 Years to 15 Years.
- ◆ The age of retirement for a member of ATIR, other than the officers of FBR, increased to 62 Years.
- ◆ Committee to be constituted by Federal Government to review the performance of members including chairman.

- ◆ Chartered Accountants, Cost and Management Accountants, and Advocates with the required qualifications can become members of ATIR after passing a written test and an interview.

- ◆ The interview shall be conducted by a selection committee to be constituted by the Federal Government consisting of:

Sr. No.	Member	Status
1.	A retired judge of the Supreme Court nominated by the Chief Justice of Pakistan.	Chairman
2.	A member of Public Service Commission.	Member
3.	A person of eminence and integrity with at least eighteen years of education and twenty years of post-qualification experience in his field nominated by the Prime Minister.	Member

- ◆ Members appointed through the aforementioned process shall be entitled to the salary, allowances, and other privileges equivalent to those of a High Court Judge.
- ◆ If a member appointed is an officer of Inland Revenue or has served as an officer of Inland Revenue for three years or more, he shall be entitled to receive his last drawn pay and allowances, along with an additional monthly tribunal allowance of seven hundred thousand rupees.

Decision of appeals by the Appellate Tribunal

- ◆ The ATIR is bound to decide the appeal within 90 days of the filing of Appeal. In case of delay, the ATIR would be required to get condonation from Ministry of Law and justice and such condonation not to be extended beyond 90 days.
- ◆ The ATIR authorized to fine the taxpayer for seeking adjournment without compelling reasons with a minimum amount of Rs. 50,000.
- ◆ The authority of ATIR to grant stay of disputed demand reduced to 90 days from existing 180 days.

Reference to High Court

- ◆ The High Court jurisdiction has been enlarged to consider both the question of law as well as mixed question of law and fact.
- ◆ A reference to High Court to be heard by a Special Bench or Special Benches comprising of not less than two judges of High Court.
- ◆ The special bench to decide the reference within six months from the date of filing of reference.
- ◆ The power of High Court to grant stay of disputed demand for a period of six months is now subject to deposit of thirty percent (30%) of the tax demand as determined by ATIR.
- ◆ In case of failure of committee to decide the matter, the SOE may proceed to file appeal to ATIR, High Court or Supreme Court as the case may be.

Alternative Dispute Resolution

- ◆ The minimum amount of disputed demand or refund required to approach alternate dispute resolution committee by aggrieved person, reduced to Rs.50 million from Rs.100 million.
- ◆ Alternate dispute forum cannot be approached where criminal proceedings have been initiated by the department.
- ◆ Each application to be accompanied with an undertaking that decision of committee shall be binding on the applicant and shall on receipt of decision withdraw all pending litigation or case of any kind relating to dispute.
- ◆ In case the committee fails to decide the matter and is dissolved, the relevant Court of Law or ATIR shall decide the matter within 90 days of communication of such order.

State Owned Enterprise (SOE)

- ◆ Right of Appeal to ATIR being an SOE, in case of demand exceeding fifty million rupees, has been made subject to applying for resolution of tax dispute to Board for appointment of Alternate Dispute Resolution Committee.
- ◆ SOE to file undertaking to accept the decision of committee and the same shall be binding on them and withdraw all pending litigation.
- ◆ No suit, prosecution or other legal proceedings shall lie against SOE or the committee in relation to dispute resolved.





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