



BUDGET BRIEF 2026

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13th June, 2026

Budget at a Glance	01
Economic Survey	02
Budget Highlights	17
Income Tax	21
Sales Tax	34
CVT	44
Federal Excise Act	45

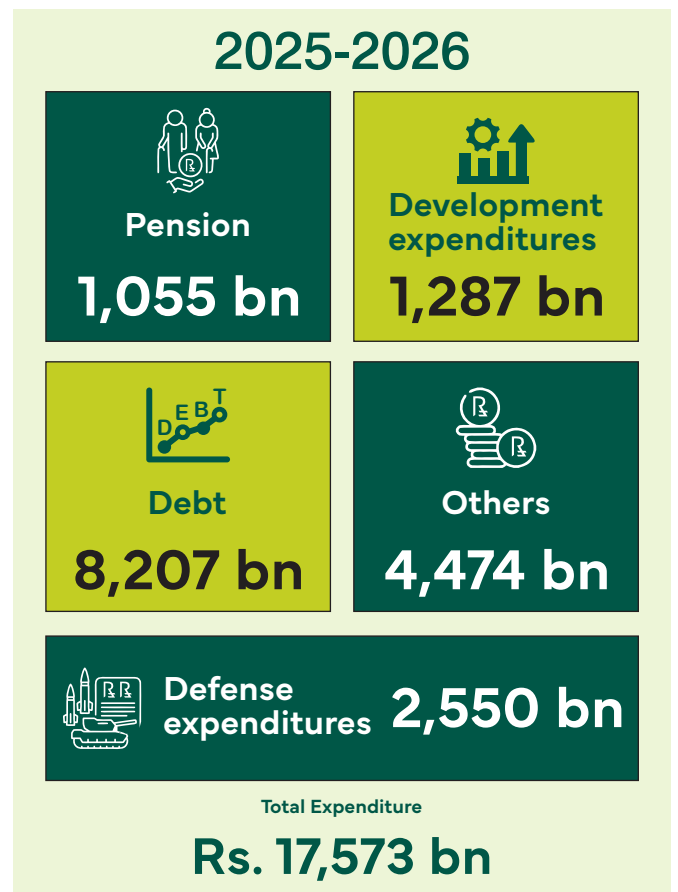
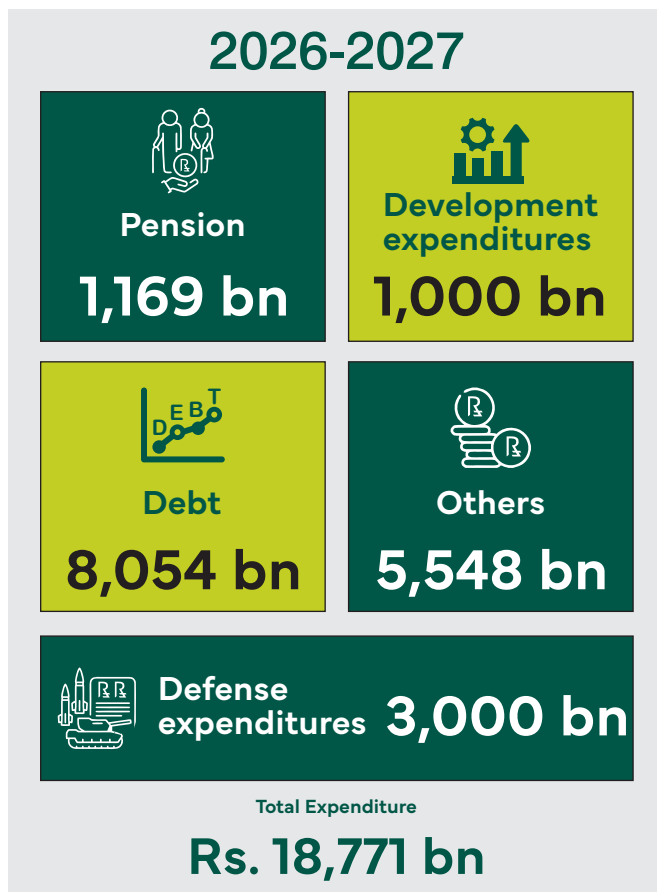


Budget

At A Glance 2026-27

Resources	2026-27 (Rs. in Billion)	2025-26 (Rs. in Billion)
Total tax revenue	15,264	14,131
Non-tax revenue	5,336	5,147
Total federal resources	20,600	19,278
Less: provincial share in federal taxes	(8,848)	(8,206)
Net federal resources	11,751	11,072
Deficit financing	7,020	6,501
Total resources	18,771	17,573

Allocation of Resources



ECONOMIC INDICATORS



	2025-26	2024-25
GDP Growth	3.70% (July–May)	3.18%
Consumer Price Index (CPI)	6.69% (July–May)	4.50%
Current Account Surplus/(Deficit)	USD (252) Million (up to April 2026)	USD 2100 Million
FBR Tax Collection	PKR 11,239 _{bn} (July to May 2026)	PKR 11,744 _{bn}
Exchange Rate (PKR/USD)	PKR 278.35 (June 11, 2026)	PKR 283.76
Foreign Exchange Reserves	USD 22.671 _{bn} (June 05, 2026)	USD 19.269 _{bn}
Foreign Remittance	USD 30.3 _{bn} (July – March)	USD 28.0 _{bn}
Total Public Debt	PKR 8,328 _{bn} (May 23, 2025)	PKR 8,052 _{bn}

Growth

The provisional GDP growth rate for FY 2025–26 (July–May) stood at **3.70%**, compared with **3.18%** in FY 2024–25, with all the three sectors contributing positively.

3.70%



Agricultural Sector

The agriculture sector recorded growth of **2.89%** during FY 2025–26 (July–May), compared with **1.53%** in the last financial year.



Industrial Sector

The industry grew by **3.51%** during FY 2025-26 (July-May), compared with **1.3%** in the last financial year.

Service Sector

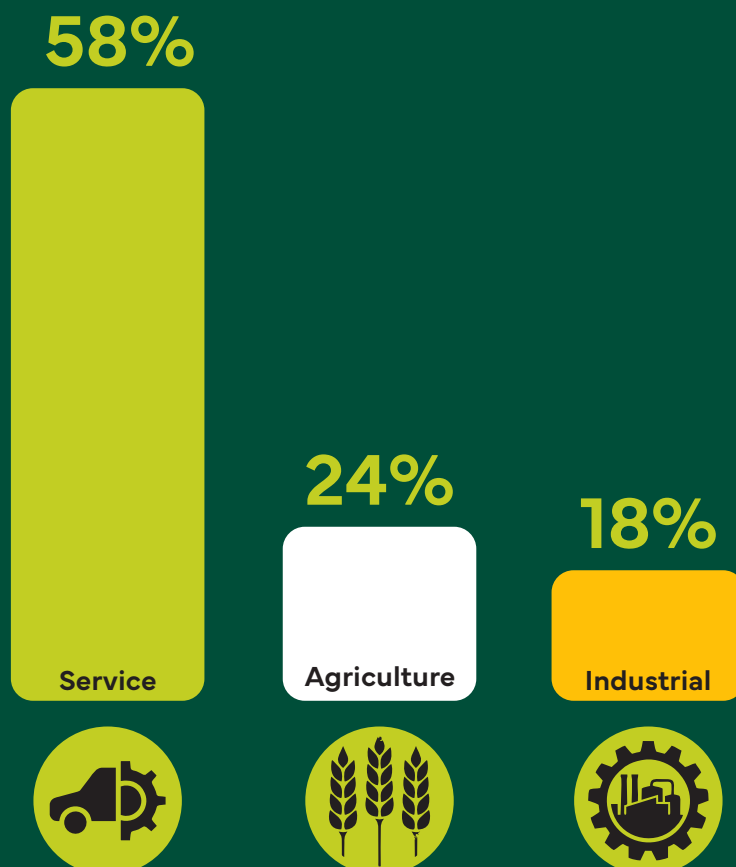
The services sector registered growth of **4.09%** during FY 2025-26 (July-May), compared with **3.14%** in FY 2024-25.

Growth Indicators

Description	2026	2025	2024	2023	2022
GDP (PKR Trillion)	126.87	114.04	106.04	83.9	66.6
GDP (US\$ billion)	452.06	408.23	382.1	292.8	324.9
GDP per Capita (US\$)	1901	1751	1,680	1,551	1,765
GDP Growth %	3.7	3.18	2.51	0.21	6.18
Agricultural Growth (%)	2.89	1.53	6.40	2.27	4.21
Industrial Growth (%)	3.51	1.3	3.03	(3.74)	7.01
Services Growth (%)	4.09	3.14	2.19	0.01	6.69

Composition of GDP

The services sector remained the largest contributor to the economy, accounting for **58%** of GDP, followed by the agriculture sector at **24%** and the industrial sector at 18%.



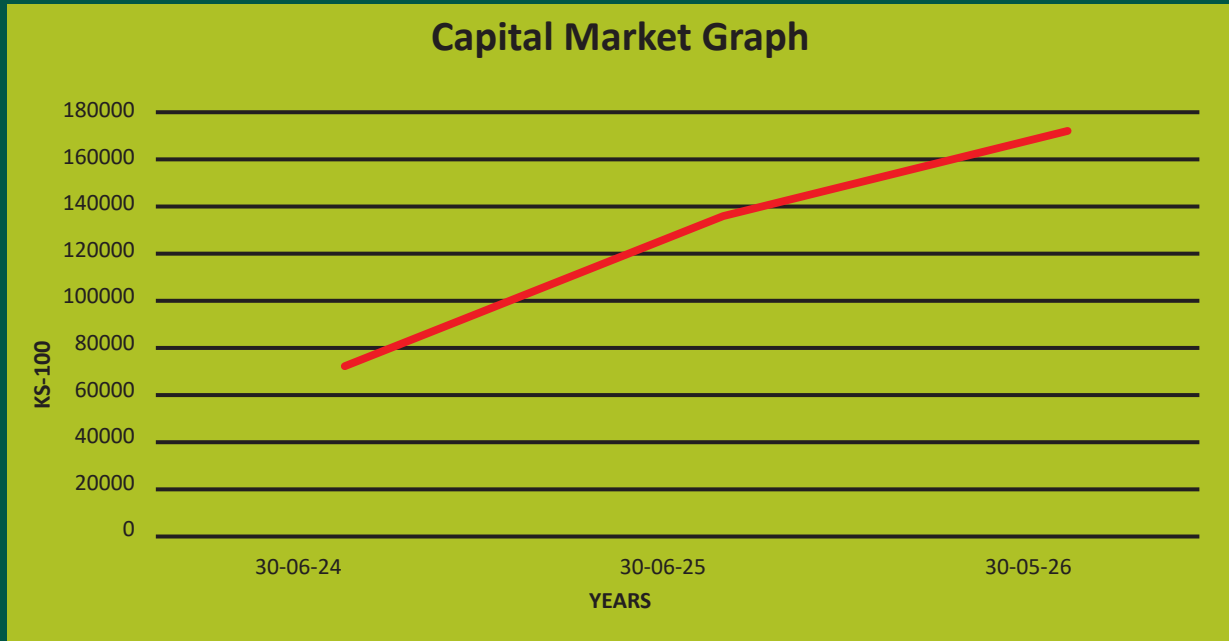
Public Debt

Public debt increased to **PKR 83.28 trillion** by March 2026, compared with **PKR 80.52 trillion** in FY 2024-25. However, public debt as a percentage of GDP declined to **65.64%**, compared with **70.6%** at June 2025.

Description	Domestic debt	External debt	Total debt	Total debt as % of GDP
PKR Trillions				
2026 (till March)	57.56	25.72	83.28	65.6%
2025	54.47	26.05	80.52	70.6%
2024	47.16	24.09	71.25	67.8%
2023	38.81	24.07	62.88	75.2%
2022	31.08	18.16	49.24	73.9%
2021	26.27	13.59	39.86	71.4%
2020	23.28	13.12	36.40	76.6%
2019	20.73	11.98	32.71	74.7%

Capital Market

The KSE-100 Index of the Pakistan Stock Exchange opened at **130,686.65 points** on 03 July 2025 and closed at **169,703.60 points** on 11 June 2026, reflecting an increase of **29.86%** during the period.



Trade and Payments

During the period from July 2025 to April 2026, the current account deficit is **USD 252 million** as compared to current account surplus of **USD 2,100 million** during FY 2024-2025. This deficit is mainly due to more than 30% increase in imports and the exports being stagnant.

Export and Import of Goods

During the period from July 2025 to April 2026, exports of goods amounted to **USD 25.21 billion**, compared with **USD 32.04 billion** during FY 2024-25.

Imports of goods amounted to **USD 57.19 billion**, compared with **USD 58.39 billion** in FY 2024-25.

Consequently, the trade deficit increased to **USD 31.98 billion**.

Description	Import	Export	Trade Deficit
US \$ Billions			
2026 (till April 2026)	57.19	25.21	31.98
2025	58.39	32.04	26.35
2024	53.1	31	22.1
2023	55.2	27.7	27.5
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



Import and Export Services



Exports of services during the period from July 2025 to April 2026 amounted to **USD 8.269 billion**, compared with **USD 7.027 billion** during the corresponding period of last year, reflecting an increase of **17.68%**.

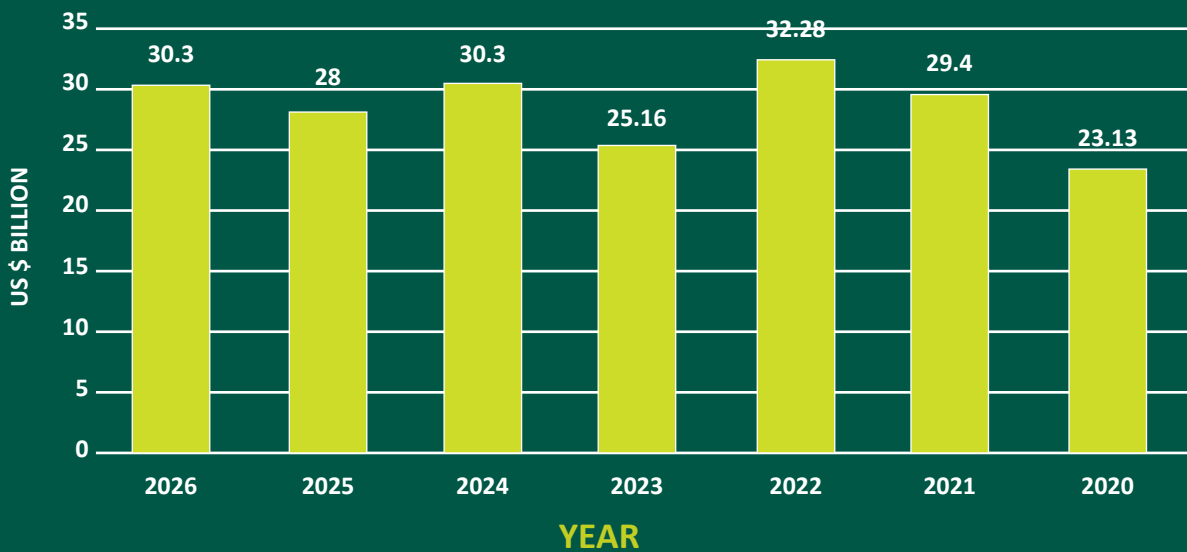
Imports of services during the same period amounted to **USD 10.31 billion**, compared with **USD 9.497 billion** in the corresponding period of last year, reflecting an increase of **8.56%**.



Workers' Remittances

Workers' remittances during the period from July 2025 to March 2026 amounted to **USD 30.3 billion**, compared with **USD 28.0 billion** during the corresponding period of last year, reflecting an increase of approximately **8.2%**.

Workers' Remittances



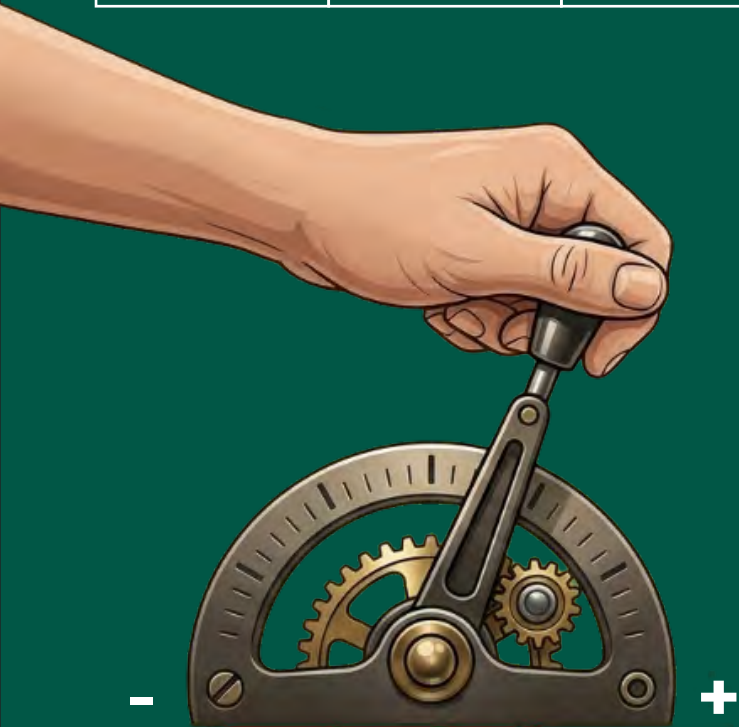
Inflation and Interest Rate

The Consumer Price Index (CPI) averaged **6.69%** during July 2025 to May 2026, compared with **4.50%** during FY 2024–25.

In response to rising inflationary pressures, the State Bank of Pakistan increased the policy rate from **10.50%** to **11.50%** on April 27, 2026 due to prolonging of Middle East Conflict. Consequently, the real interest rate declined to **4.81%**, compared with **6.50%** in FY 2024–25.

KIBOR Trend for the last 5 years

Maturity	8 th June 2026	2 nd June 2025	11 th June 2024	30 th June 2023	30 th June 2022
1 Year <small>(as on June 05 2026)</small>	12.44%	11.48%	19.41%	22.9%	15.30%
3 Year <small>(as on May 18 2026)</small>	13.25%	11.69%	16.28%	19.47%	13.45%
5 Year <small>(as on May 18 2026)</small>	12.95%	12.14%	15.26%	16.08%	12.93%
10 Year <small>(as on May 18 2026)</small>	12.95%	12.59%	14.05%	15.32%	12.92%



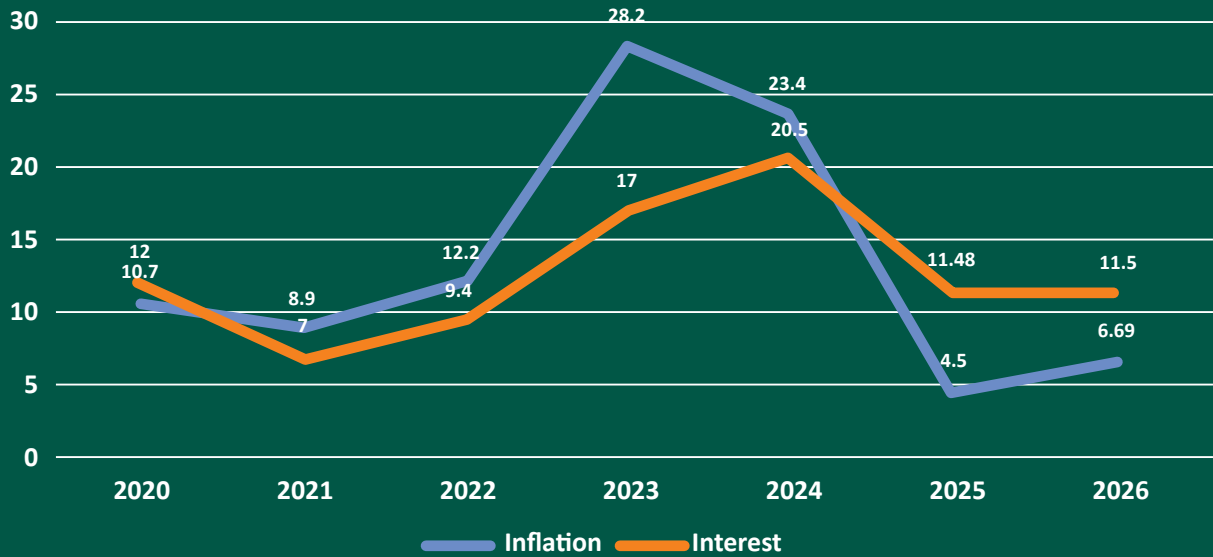
Interest Rates



Inflation

Comparison Between Inflation and Interest

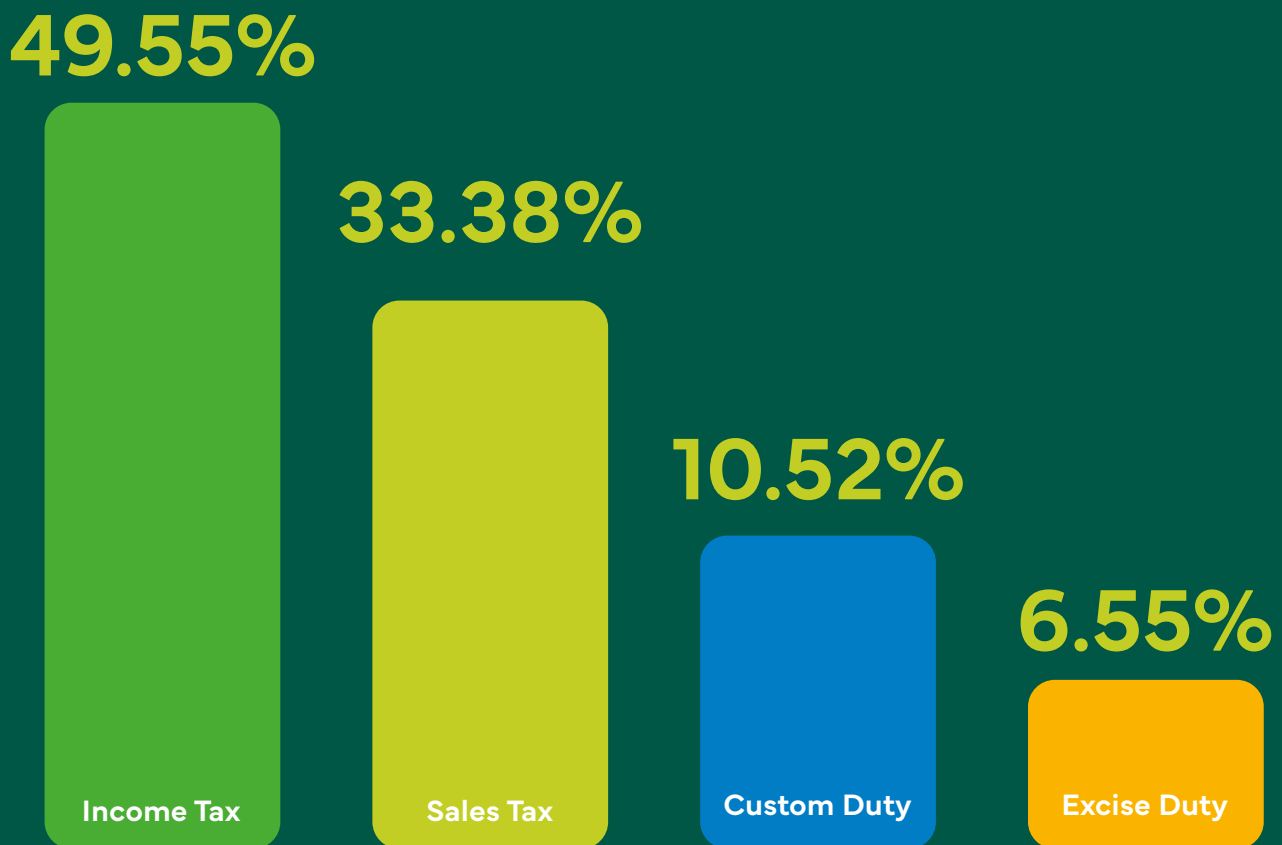
Inflation and Interest Graph



Revenue Mobilization

Net tax collection amounted to **PKR 10.262 trillion** during July 2025–April 2026, reflecting a **10.3%** increase compared to **PKR 9.300 trillion** collected during the corresponding period of the previous year.

Indirect taxes, comprising sales tax, customs duties, and federal excise duty, constituted approximately **50.45%** of total tax collection, whereas direct taxes accounted for the remaining **49.55%**.





BUDGET HIGHLIGHTS 2026-27

INCOME TAX ORDINANCE, 2001

- The bill proposes to reduce the tax burdens on salaried persons by rationalizing the tax rates.
- The bill proposes to withdraw surcharge u/s 4AB on salaried individuals.
- The bill proposes to abolish tax on deemed income from immovable property under section 7E.
- The bill proposes to abolish Super Tax on all sectors where income is less than Rs. 500 million except for banking, E&P and fertilizer sectors.
- Advance tax on sale of property u/s 236C is proposed to be reduced from 4.5%- 5.5% to a flat rate of 2.75%. Advance tax u/s 236K on purchase of property from 1.5%-2.5% to a flat rate of 1.25%.
- The bill proposes to reduce the withholding tax on export proceeds on goods from 2% to 1.25%.
- The bill proposes to extend the tax rate of 0.25% for exporters of IT and IT-enabled services up to Tax Year 2029.
- The bill proposes to reduce the advance tax on foreign remittances through debit, credit and prepaid cards from 5% to 0.5%.
- Tax deducted on e-commerce transactions is proposed to be made adjustable for persons having turnover exceeding Rs. 200 million.
- The bill proposes to introduce the tax credit of 10% on investment in electronic resources for integration with FBR's computerized systems.
- The bill proposes to increase the threshold for exemption from withholding tax for small traders from Rs. 100 million to Rs. 200 million turnover.
- The bill proposes issuance of exemption certificates u/s 159 for the whole financial year for eligible funds and non-profit organizations meeting prescribed conditions.
- The bill proposes to assume the cost of inherited immovable property at fair market value on the day of death of deceased person.
- The bill proposes to introduce tax on certain life insurance payouts to discourage misuse of life insurance policies for tax arbitrage.
- The bill proposes to introduce withholding tax regime on revenues received by digital content creators and social media influencers from online platforms.
- The bill proposes to introduce withholding tax rate @ 15% on specified consulting services, i.e. Doctors, Lawyers and Engineers.
- The bill proposes to increase the withholding tax rate from 6% to 7% on specified services.
- The bill proposes to increase minimum tax rate for distributors, dealers, sub-dealers and wholesalers of specified sectors from 0.25% to 0.5%.
- The bill proposes to enhance tax applicable to non-ATL persons on capital gains arising on listed securities.
- The bill proposes to introduce Independent Case Scrutiny Committee for scrutiny of departmental litigations.
- The bill proposes to authorize Commissioner to require a re-audit, inventory valuation, or actuarial valuation by independent experts where deemed appropriate.
- National Faceless Centre is proposed to be established for faceless audits, assessments and appeals through technology-driven processes.
- Algorithmic Settlement Mechanism is proposed to be introduced for technology-based settlement of tax discrepancies without separate penalty or default surcharge.

SALES TAX ACT, 1990

- Sales tax exemption is proposed on newspaper, books, and magazines.
- Exemption on import of CKD kits for electric vehicles is proposed to be extended up to June 30, 2027.
- Sales tax exemption is proposed in respect of import and lease of aircrafts and aircraft parts by Pakistan International Airlines Corporation Limited (PIACL).
- Sales tax exemption is proposed on contraceptives and female sanitary pads/tampons.
- Sales tax exemption is proposed on import of specified vessels, tankers, dredgers and other floating structures to promote strategic investment in the shipping sector.
- Sales tax exemption is proposed on import of bullet proof vehicle for the SCO Summit and security-related purposes.
- Sales tax exemption is proposed on import of capital goods and machinery for balancing, modernization, rehabilitation and upgradation of existing refineries.
- The reduced rate and exemption regime for locally manufactured and assembled electric vehicles is proposed to be extended up to June 30, 2027.
- Sales tax reduced rate is proposed on the sale of electric trucks and transport buses.
- The scope of the Third Schedule is proposed to be expanded by including various consumer goods.
- Toll manufacturers are proposed to be required to withhold sales tax on supplies made to unregistered persons.
- The scope of withholding sales tax is proposed to be extended to Associations of Persons (AOPs) and individuals making purchases from unregistered suppliers.
- Manufacturers are proposed to be made liable to pay 3% value addition tax where imported goods are supplied in the same state.
- Penalties under section 33 are proposed to be enhanced and new penalties are proposed to be introduced for issuance of fictitious invoices, unmatched input tax claims and non-reversal of inadmissible input tax.
- The bill proposes change in criteria for Tier-1 Retailers.
- Sales tax on steel melters, steel re-rollers and composite units is proposed to be collected on the basis of electricity consumption, subject to prescribed conditions.
- The bill proposes to empower the Board to enhance or reduce the input tax adjustment limit based on taxpayer's compliance with digital integration systems.
- Debit and credit note adjustments are proposed to be regulated through an electronic mechanism prescribed by the Board.
- Faceless audit, assessment, appeal and jurisdiction regimes are proposed to be introduced through the establishment of a National Faceless Centre.
- Registered persons are proposed to be required to issue sales tax invoices, including advance receipt invoices, carrying a verifiable and unique FBR invoice number.
- Commissioners are proposed to be empowered to direct re-audit of accounts by Chartered Accountants or revaluation of inventory by Cost Accountants in specified cases.
- Taxable goods not complying with prescribed monitoring and tracking requirements are proposed to become liable to seizure and confiscation.
- An Algorithmic Settlement Mechanism is proposed to be introduced for digital settlement of tax proceedings.
- An Independent Case Scrutiny Committee is proposed to be established for approval of references and appeals before higher judicial

forums.

- The bill proposes to impose restrictions on the supply of imported goods in the same state under the Twelfth Schedule and non-compliance may attract prosecution.
- The bill proposes to introduce a new mechanism for auction of confiscated goods.

Capital Value Tax

- The bill proposes to withdraw the Capital Value Tax on foreign movable and immovable assets of resident Pakistan.

FEDERAL EXCISE DUTY

- The bill proposes to introduce Special Excise Duty on specified imported motor vehicles in addition to duty chargeable u/s 3(1).
- The bill proposes to charge duty on electric vehicles imported in CBU condition.
- The bill proposes to increase duty on Acetate tow and E-Liquids for electric cigarette kits.
- The bill proposes duty at the rate of Rs. 80/litre for petroleum top Naphtha, White Spirit/Mineral Turpentine oil & Solvent oil.
- The bill proposes reduction in duty on International Air Tickets.
- The bill proposes exemption on import of bullet proof vehicles subject to specified conditions.
- The bill proposes exemption on hydration drinks or electrolytes beverages.
- The bill proposes to introduce definition of Algorithmic Settlement Mechanism, Electronic invoicing framework, National Faceless Centre and Production Monitoring System.
- The bill proposes to introduce faceless audit and assessment proceedings to be conducted through the National Faceless Centre along with the introduction of an algorithmic settlement mechanism.

- The bill proposes to issue invoices that bear a verifiable and unique FBR invoice number and advance receipt invoices.
- The bill proposes to expand the scope of offences relating to tampering with electronic records and monitoring systems.
- The bill proposes to introduce the seizure of non-duty paid goods and goods manufactured, transported or dealt with outside the prescribed production monitoring framework.
- The bill proposes to establish Independent Case Scrutiny Committee for approval of departmental references and appeals before higher forums.
- The bill proposes to expand monitoring and tracking provisions through enhanced electronic surveillance.
- The bill proposes to withdraw restriction of one audit per year. The bill further proposes to authorise the Commissioner to order a re-audit of accounts or revaluation of inventory.



INCOME TAX

ORDINANCE, 2001



Surcharge on Income Tax [Sec 4AB]

A tax at a rate of 9% of income tax was imposed on salaried person having income exceeding 10million through Finance Act, 2024. Now the bill seeks to withdraw this surcharge.

Tax on payment on digital transaction in e-commerce platform [Sec 6A]

A tax was imposed through Finance Act 2025 on payments made for supply of digitally ordered goods or services delivered from within Pakistan at the rate of 1% to 2%. The tax so deducted is considered as final discharge of tax liability under section 8 of the Income Tax Ordinance, 2001. Now the bill seeks to amend the above section to exclude the persons having turnover exceeding Rs. 200 million from the purview of final tax under section 8, thus making the tax deductions under section 153(2A) as adjustable.

Tax on deemed income [Sec 7E]

The above tax was introduced in tax year 2022, on resident persons at the rate of 5% on the fair market value of capital assets situated in Pakistan. This tax was subjected to lot of litigation at the higher appellate forums of Pakistan and was eventually declared illegal by the Federal Constitutional Court of Pakistan. The bill now seeks to abolish the above tax in the light of said judgement.

Tax on certain payment by life insurance business [Sec 7G & Sec 151B]

The bill seeks to introduce a tax on any payout, benefit, surrender value, maturity proceed or similar payments on account of life insurance policy, family takaful certificate, plan or any similar arrangement, net of insurance premium, liable at the rate of 15% for holding period up to one year and 10% for holding period from one year to seven years. The bill further provides that no tax shall be charged in following cases:

- a) on account of death of the insured or participant;
- b) on account of disability;
- c) where payment is made after completion of seven years from the date of issuance of policy certificate or plan.

The tax imposed under the above section shall be treated as final tax on the income arising from such benefits.

The bill further proposes to make the issuer of life insurance policy as withholding agent for tax deduction on the payments of benefit and payouts.

Deduction not allowed [Sec 21 (r)]

The bill seeks to reduce the extent of disallowance of expenditure from **8% to 5%** by any person, who fails to install electronic resource to act as integrated enterprise as required by the law.

Rationalization of rates of withholding taxes in the nature of minimum tax [Sec 53A]

The bill seeks to authorize the Federal Government to reduce the rate of any withholding tax up to 1% on the basis of economic viability, subject to such condition as the Federal Government may specify. However, the Federal Government will be required to place such amendments before the National Assembly.

Tax credit for integration [Sec 64D]

The bill seeks to enhance the scope of tax credit under section 64D to extend the same to all expenditures incurred for integration with the computerized systems of the Board for real time production, monitoring or for recording or reporting of sale or receipts. The Bill also seeks to extend the tax credit limit to 10% of the amount of investment which is presently restricted to Rs. 150,000/-. The bill further provides that such credit can only be available for adjustment against normal tax payable.

Cost [Sec 76]

The bill seeks to provide that the cost of immovable property acquired by individual through inheritance shall be the fair market value of the property on the day of death of the original owner. It means that cost of other assets shall remain the same as in the hand of deceased person.

Person [Sec 80]

The concept of limited liability partnership was introduced by an LLP Act in 2017. However, the Income Tax Ordinance did not provide for the taxation of LLP. Now the bill seeks to propose the LLP as an AOP, thus making it taxable under section 92 read with section 88 of the Income Tax Ordinance, 2001.

Principles of taxation of AOP [Sec 92]

The exempt income of AOP is also exempt in the hands of the members under the Income Tax Ordinance, 2001. Now the bill seeks to omit this exemption and provide that if the income of AOP is exempt then the same shall be taxable in the hands of members. A similar treatment is proposed for LLP.

Special provisions to capital gain tax [Sec 100B]

Under the existing law, a special mechanism is provided for calculation and collection of tax on capital gain on disposal of listed securities by NCCPL. The said provision is not applicable to a non-banking finance company and a modaraba.

The bill now seeks to apply the above provision to a non-banking finance company and modaraba by omitting the exclusion available to the same.

Under the existing law, the above provision is not applicable to banking company, insurance company and mutual funds. These entities are computing and paying capital gain tax on their own. The bill now seeks to provide that NCCPL shall also compute and determine the capital gain for such entities in accordance with sec. 37A, however, they shall continue to pay tax themselves as per applicable provision of the Ordinance.

Return of income [Sec 114]

The bill seeks to provide a special stipulation for companies for **tax year 2026** & onwards to provide the financial statements in electronically readable file format. The electronically readable file format is defined to mean any digital format in which data is structured so that it can be automatically read, extracted, validated and processed by computerized system without human intervention such as CSV or XLSX, XML, DBRL, JSON, and other structured or semi structured data format but excluding PDF, or scanned images.

Faceless audit, assessment and appeals [Sec 122E & 129A]

The bill seeks to move towards a faceless ecosystem for the taxpayer dealing with the FBR. Two new sections are being introduced providing for faceless audit/assessment and appeals. The bill provides that the audit under section 177, 214C, 111, 221 or any other assessment in respect of person specified shall be carried out in a faceless manner as may be prescribed by the Board.

In case of providing opportunity of hearing, recording statement under oath or proceedings under section 176, the same shall also be done through e-hearing.

A similar process is also proposed to be adopted for all appeals which lie before the Commissioner Appeals.

Independent case scrutiny committee [Sec 133A]

The bill introduces a new mechanism requiring all references by the Commissioner Inland Revenue before the High Court or an appeal or review petition before the Federal Constitution Court (FCC) or Supreme Court of Pakistan (SCP) after the approval of independent scrutiny committee. The committee shall comprise of the following members as nominated by the Board:

- a) A retired judge of the SCP or FCC or high court who shall act as Chairman;
- b) An advocate having at least 15 years of experience in tax and commercial litigation before High Court or SCP;
- c) A senior serving or retired officer of FBR (BS 20 or above).

The recommendations of the committee shall be binding upon the Commissioner Inland Revenue having jurisdiction over the case. The bill further provides immunity for any suit, prosecution or other legal proceedings to the members of the Committee and Commissioner Inland Revenue in relation to the decisions made under this section.

Alternate dispute resolution [Sec 134A]

The bill seeks to insert a provision to authorize ADRC to rectify any order issued by it on account of any mistake apparent from record, on its own motion or brought to its notice by the taxpayer or the commissioner, within 30 days of receipt of decision. This provision will apply irrespective of the dissolution of the committee.

The bill further seeks to authorize the chairman of the Board to fill a casual vacancy in the ADRC for any reason. The committee so constituted shall be allowed further period of **60** days to conclude the proceeding and perform its function under this section. The bill further provides that the

total period available to the committee including the period already consumed prior to reconstitution shall in no case be less than **90** days of its original constitution.

Algorithmic settlement mechanism [Sec 134B]

The bill seeks to introduce a new concept of algorithmic settlement mechanism. This mechanism will calculate and present to the taxpayer a settlement offer for voluntary revision of return for settlement of tax proceedings before finalization of any assessment or amendment of assessment under this ordinance.

The settlement offer shall be calculated on the basis including but not limited to:

- a) the stage of the proceedings;
- b) the taxpayer's compliance history;
- c) the nature and character of discrepancy;
- d) any other basis the Board may consider relevant.

The bill provides for the taxpayer to accept the offer on IRIS within 10 days of the settlement offer, and to file the revised return along with payment of settlement offer.

The bill further provides that acceptance of offer under this section shall not preclude proceedings in respect of any other issues not covered by the settlement offer.

This proposal intends to facilitate the option of amicable settlement of tax disputes by making agreed assessments which has been an important part of our taxation history in the past. This will allow the department to efficiently collect taxes and avoid burdening the appellate forums.

Advance tax on exports [Sec 147 & 154]

Under the existing law advance tax at the rate of 1% is collected at the time of realization of export proceeds in addition to collection of minimum tax under section 154. Now, the bill seeks to provide a concession to exporters by omitting the requirement of collection of advance tax under section 147. However, the bill proposes to enhance the minimum tax under section 154 to **1.25%** from existing **1%**.

Export of it and it enabled services

[Sec 154A]

The bill proposes to extend the timeline from 2026 to 2029 for withholding tax of 0.25% in the case of export proceeds of computer software or IT services or IT enabled services by person registered with Pakistan Software Export Board.

Withholding tax on revenues received from social media platforms [Sec 154B]

The bill seeks to enhance the scope of taxation on account of revenues received from social media platforms. The bill seeks to require every banking and non-banking financial institution to deduct tax at the rate of **5%** on all amounts received by a person, at the time of credit of payment. The bill further provides that tax deducted under this section shall be a final tax in case of non-resident person and minimum tax in case of resident person.

Exemption or lower rate certificate [Sec 159]

The bill seeks to enhance the scope of section 159 by providing facility of exemption certificate for non-deduction of tax under various withholding tax provisions to REITs and NPOs.

The bill seeks to extend the facility to such REITs who have distributed 90% or more of its accounting income amongst the units or certificate holders or shareholders, as the case may be, in accordance with provision of clause 99 of Part-I of Second Schedule for the last three years. The certificate shall be issued for the subsequent whole tax year.

The bill also seeks to provide the above facility of exemption certificate to nonprofit organizations, who get approval under section 2(36)(c) of the Ordinance. The certificate shall be issued for such whole tax year.

Reporting of financial transaction data by banking companies and financial institutions. [Sec 165AB]

The bill seeks to provide digital reporting of information to central data hub for algorithmic cross matching of tax and bank information, in respect of account holder having deposits or withdrawals exceeding **Rs. 100 million** during a reporting period in any or all the bank accounts maintained by the account holder.

The information will include particulars of deposits & withdrawals, including opening and closing balances, peak credits and total credits during the period

The bill further seeks to define the reporting period as a period of six month starting from 1st July to 31st December and 1st January to 30th June. The above section further provides that in case of gross mismatch in the information in respect of account holder, the digital system shall feed the information to compliance risk management system and further proceeding shall be conducted by National faceless centre.

Audit [Sec 177]

The bill seeks to empower the Commissioner, with the prior approval of Chief Commissioner, to direct the taxpayer for obtaining a second opinion in case of an audit proceeding before him, by referring the matter to an accountant for re-audit of the accounts, to a cost accountant for inventory revaluation and to an actuary for actuarial valuation. The commissioner is also authorized to refer specific queries to above technical experts. The commissioner will be authorized to exercise the above powers for opinion having regard to:

- a) the nature and complexity of the account; or
- b) the volume of the accounts; or
- c) doubt about the correctness of the accounts; or
- d) multiplicity of the transactions in the accounts; or
- e) specialized nature of business.

Offences and Penalties [Sec 182]

The bill seeks to provide following new penalties:

Sr. No.	Offenses	Penalties
2A.	If a person, when required by the Board under section 174(5), fails to install the prescribed electronic system within the given time, or after installation does not properly use,	One million rupees for the first default and two million rupees for each subsequent default.

	maintain, or operate it, or tampers with, disables, or bypasses it.	
2B.	If any agency, authority, institution, or organization that is an integrated organization under section 175A or notified by the Board, without reasonable cause, fails to- (a) integrate its IT system/data interface within the specified time, or (b) share data as per section 175A or related rules, or (c) provide complete, accurate, and timely data, or (d) designate a focal person, or (e) rectify any identified deficiency within 30 days of notice from the Board.	A penalty of 500,000 rupee will be imposed for the first default and 1,000,000 rupees for each subsequent default on the principal officer of an integrated organization. The “principal officer” is the person responsible for running the organization and ensuring compliance. This includes top executives or anyone actually handling key administrative, compliance, or IT functions, even if they do not have a formal title or the position is vacant.
36	Where a person claims a credit in respect of tax withheld at source under any provision of this Ordinance in excess of the amount verifiably deducted and deposited by the withholding agent, as confirmed through the Board's computerized system or otherwise.	Such person shall pay a penalty equal to the amount of excess credit claim u/s 168

The bill further seeks to enhance penalty under following offenses:

Sr. No.	Offenses	Existing Penalties	New Penalties
8.	Where a taxpayer who, without any reasonable cause, in noncompliance with provisions of section 177		
	(a) Fails to produce the record of documents on receipt of first notice	twenty-five thousand rupees	one hundred thousand rupees
	(b) fails to produce the record or documents on receipt of second notice; and	fifty thousand rupees	two hundred thousand rupees
	(c) Fails to produce the record or documents on receipt of third notice.	One hundred thousand rupees.	three hundred thousand rupees
10.	Any person who knowingly provides a false or misleading statement to the Inland Revenue Authority	Twenty-five thousand rupees or 50% of the amount of tax shortfall whichever is higher	five hundred thousand rupees or 100% of the amount of tax shortfall whichever is higher

12.	A person is considered in violation if they hide income or provide incorrect details of income, including suppressing taxable income or claiming fake or unspent expenses, during any proceedings before tax authorities or the appellate tribunal under the Ordinance.	One hundred thousand rupees or an amount equal to the tax which the person sought to evade whichever is higher.	One million rupee or an amount equal to the tax which the person sought to evade whichever is higher.
15.	Any person who fails to collect or deduct tax as required under any provision of this Ordinance or fails to pay the tax collected or deducted as required under section 160	a penalty of Forty thousand rupees or the 10% of the amount of tax which-ever is higher.	a penalty of Five hundred thousand rupees or the 10% of the amount of tax which-ever is higher. "Provided that where the defaulter in such case is a company, its principal officer shall be personally liable to pay an additional penalty of five hundred thousand rupees for such offence"

35.	The offence under the above clause is proposed to include all person:	Any company and an association of persons	Any Person, including a company and an association of persons, "Explanation- For the purpose of this entry audited financial statements furnished in the form of image files, scanned documents, or password protected files that are illegal or otherwise inaccessible to the concerned Inland Revenue authority shall be deemed to have been furnished as blank and incomplete documents."; and
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Return not filed within due date [Sec 182A]

The bill proposes to increase the amount of penalty, where a person fails to file a return of income under section 114 by the due date.

Person	Existing (Rs.)	Proposed (Rs.)
Companies	20,000/-	100,000/-
AOP	10,000/-	50,000/-
Individual	1,000/-	25,000/-

Faceless jurisdiction of income tax authorities [Sec 209B] and National faceless centre [Sec 227D]

The bill purposes to establish a National faceless center and empowers the Board to specify its jurisdiction, powers and functions. The bill also provides that function or jurisdiction of National faceless center may be assigned by algorithms designed by the Board. The bill further provides that all communications among the units, or with the taxpayer or the AR of the taxpayer or any other person, shall be through an electronic means.

The bill seeks to provide appointment of revenue tax authority to perform all such functions and exercise all such powers as may be assigned to them in respect of persons or classes of persons through algorithms developed by the Board. The jurisdiction so assigned may be exclusive or concurrent.

The bill further seeks to provide power to the Chief Commission of National faceless center to request the Board to direct the commissioner having jurisdiction under section 209 or any other income tax authority, to conduct physical verification of the business, assets, investments, expenditure, and any other information required to conduct any proceedings assigned to the National faceless center. The bill seeks to provide that the identity of the authority exercising jurisdiction in the National faceless center shall be kept confidential from the taxpayer, the AR of the taxpayer and any unauthorized person.

Directorate General (Field Compliance) Inland Revenue [Sec 228A]

The bill seeks to provide for the establishment of directorate general (field compliance) Inland Revenue which shall consist of a Director General and as many directors, additional directors, deputy directors and assistant directors, and such other officers as the Board, may by notification in the official gazette, appoint. The function and jurisdiction of the director general and its officers shall be specified by the Board.

Advance tax on TV plays and advertisements [Sec 236CA]

Under the existing law, advance tax is applicable on foreign produced TV plays and advertisements starring foreign actor at the rate of Rs. 100,000 to Rs. 3,000,000. The bill now seeks to abolish this tax.



FIRST SCHEDULE

Salaries

The bill seeks to rationalize and reduce the tax impact on salaried individual by introduction of new rate card.

Sr. No.	Taxable Income	Existing Rates	Proposed Rates
1.	Where taxable income does not exceed Rs. 600,000/-	0%	0%
2.	Where taxable income does not exceed Rs. 600,000/-	1% of the amount exceeding Rs. 600,000/-	1% of the amount exceeding Rs. 600,000/-
3.	Where taxable income exceeds Rs. 1,200,000/- but does not exceed Rs. 2,200,000	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000/-	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000/-
4.	Where taxable income exceeds Rs. 2,200,000/- but does not exceed Rs. 3,200,000	Rs. 116,000 + 23% of the amount exceeding Rs. 2,200,000/-	Rs. 116,000 + 20% of the amount exceeding Rs. 2,200,000/-
5.	Where taxable income exceeds Rs. 3,200,000/- but does not exceed Rs. 4,100,000	Rs. 346,000 + 30% of the amount exceeding Rs. 3,200,000/-	Rs. 316,000 + 25% of the amount exceeding Rs. 3,200,000/-
6.	Where taxable income exceeds Rs. 4,100,000/-	Rs. 616,000/- + 35% of the amount exceeding Rs. 4,100,000/-	Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000/-
7.	Where taxable income exceeds Rs. 5,600,000/- but does not exceed Rs. 7,000,000	N/A	Rs. 976,000 + 32% of the amount exceeding Rs. 5,600,000/-
7.	Where taxable income exceeds Rs. 7,000,000/-	N/A	Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000/-

IMPACT OF CHANGE IN TAX RATES FOR SALARIED PERSON

Sr. No.	Taxable Income		Tax Liability						
	Monthly Salary	Annual Salary	Existing			Proposed	Yearly Reduction	Monthly Reduction	Percentage Reduction
			Slab Rates	Surcharge u/s 4AB @9%	Total				
1	50,000	600,000	-	-	-	-	-	-	0.0%
2	100,000	1,200,000	6,000	-	6,000	6,000	-	-	0.0%
3	183,333	2,200,000	116,000	-	116,000	116,000	-	-	0.0%
4	250,000	3,000,000	300,000	-	300,000	276,000	24,000	2,000	8.7%
5	266,667	3,200,000	346,000	-	346,000	316,000	30,000	2,500	9.5%
6	300,000	3,600,000	466,000	-	466,000	416,000	50,000	4,167	12.0%
7	341,667	4,100,000	616,000	-	616,000	541,000	75,000	6,250	13.9%
8	450,000	5,400,000	1,071,000	-	1,071,000	918,000	153,000	12,750	16.7%
9	466,667	5,600,000	1,141,000	-	1,141,000	976,000	165,000	13,750	16.9%
10	500,000	6,000,000	1,281,000	-	1,281,000	1,104,000	177,000	14,750	16.0%
11	583,333	7,000,000	1,631,000	-	1,631,000	1,424,000	207,000	17,250	14.5%
12	700,000	8,400,000	2,121,000	-	2,121,000	1,914,000	207,000	17,250	10.8%
13	900,000	10,800,000	2,961,000	266,490	3,227,490	2,754,000	473,490	39,458	17.2%
14	1,000,000	12,000,000	3,381,000	304,290	3,685,290	3,174,000	511,290	42,608	16.1%
15	1,500,000	18,000,000	5,481,000	493,290	5,974,290	5,274,000	700,290	58,358	13.3%
16	2,000,000	24,000,000	7,581,000	682,290	8,263,290	7,374,000	889,290	74,108	12.1%
17	2,500,000	30,000,000	9,681,000	871,290	10,552,290	9,474,000	1,078,290	89,858	11.4%
18	3,000,000	36,000,000	11,781,000	1,060,290	12,841,290	11,574,000	1,267,290	105,608	10.9%
19	3,500,000	42,000,000	13,881,000	1,249,290	15,130,290	13,674,000	1,456,290	121,358	10.7%
20	4,000,000	48,000,000	15,981,000	1,438,290	17,419,290	15,774,000	1,645,290	137,108	10.4%
21	5,000,000	60,000,000	20,181,000	1,816,290	21,997,290	19,974,000	2,023,290	168,608	10.1%

Super tax on high earning persons [Sec 4C]

The bill seeks to provide relief in super tax by withdrawing the same on all incomes below Rs. 500 million except for three sectors. The new proposed rates are as under:

Sr. No.	Person	Proposed (Rs.)
1.	Banking Company	10% where the income exceeds Rs. 150 million
2.	Income of a person, engaged in exploration & production of petroleum	10% where the income exceeds Rs. 150 million
3.	Income of a person, engaged in sale of any kind of fertilizer,	10% where the income exceeds Rs. 150 million
4.	Other than above	8% where the income exceeds Rs. 500 million

Advance tax on sale or transfer of immovable property [Sec 236C]

The bill seeks to provide the relief in withholding tax on sale of immovable property by reducing the rate for different types of taxpayer by abolishing the slab rates. The bill also seeks to abolish the category of late filer. The proposed rates are as under:

Sr. No.	Consideration Received	Existing		Proposed Rate	
		ATL	Non-ATL	ATL	Non-ATL
1.	Where the fair market value does not exceed Rs. 50 million	4.5%			
2.	Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million	5%	11.5%	2.75%	11.5%
3.	Where the fair market value exceeds Rs. 100 million	5.5%			

Advance tax on purchase or transfer of immovable property [Sec 236K]

The bill seeks to reduce and rationalize the withholding tax rate on purchase of immovable property in line with the amendments proposed under section 236C. The proposed rates are as under:

Sr. No.	Consideration Received	Existing		Proposed Rate	
		ATL	Non-ATL	ATL	Non-ATL
1.	Where the fair market value does not exceed Rs. 50 million	1.5%	10.5%		10.5%
2.	Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million	2%	14.5%	1.25%	14.5%
3.	Where the fair market value exceeds Rs. 100 million	2.5%	18.5%		18.5%

Tax to be deducted on account of rendering of services [Sec 153]

The bill seeks to reduce rate of withholding tax for all services other than independent professional services to 14% from existing 15% and enhance rate for specified services. The Proposed rate are as under:

Sr. No.	Person	Existing Rates	Proposed Rates
1.	Specified services	6%	7%
2.	Independent professional services i.e. Doctors, Lawyers, architects, accountants, software engineers or developers	15%	15%
3.	Services other than above	15%	14%

Amount remitted abroad through credit, debit or prepaid cards [Sec 236Y]

The bill seeks to reduce the withholding tax rate on foreign currency transaction made through debit or credit cards.

Sr. No.	Taxable Income	Existing Rates	Proposed Rates
1.	Amount remitted abroad	5%	0.5%

Minimum tax [Sec 113]

The bill seeks to withdraw the reduce rate of 0.25% available to certain types of taxpayers.

Sr. No.	Taxable Income	Existing Rates	Proposed Rates
1.	Distributors of pharmaceutical products, fast moving consumer goods and cigarettes	0.25%	1.25%

Second Schedule Exemptions from Total Income - Part I

Tax Exemption to income of Specific Institutions [clause 57]

The bill proposes to allow the exemption to income of the following institutions, foundation, funds etc.

- (i) Pakistan Education Endowment Fund.
- (ii) Pakistan Red Crescent Society
- (iii) Shaheen Foundation established by Pakistan Air Force
- (iv) Dawat-e-Hadiya
- (v) Bahria Foundation established by Pakistan Navy
- (vi) Sindh Institute of Urology and Transplantation

Reduction in tax rates - Part II

Terminal or Port services [clause 24CB]

The bill proposes to provide a reduced rate of withholding tax at the rate of 12% on gross amount of payments to terminal or port service.

Minimum tax u/s 113 [clause 24D]

The bill proposes to increase the reduce rate of tax from 0.25% to 0.5% for dealers, sub dealers, distributors, wholesalers of packaged food, fertilizers, local manufacturing of mobile phones, sugar & electronics. Further, the bill also propose to withdraw the concession available to wholesalers and retailers of specified sectors.

Exemption from Specific Provision - Part IV

National investment trust [Clause 47B]

The bill proposes to enhance the withholding exemption on payment of gain arising on debt securities to National Investment Unit Trust, Approved Pension Funds or REIT Scheme or a recognized Provident Fund.

Payment of Goods and Services [Clause 46A]

The bill proposes to withdraw the exemption u/s 153(3) available to the manufacturer of iron and steel products.

Payment of Goods and Services [Clause 57]

The bill proposes to withdraw the exemption u/s 153 available to the companies operating trading houses.

Payment of Goods and Services [Clause 115]

The bill proposes to increase the turnover threshold of individual traders from Rs. 100 million to Rs. 200 million for the purpose of exemption from section 153.

TENTH SCHEDULE

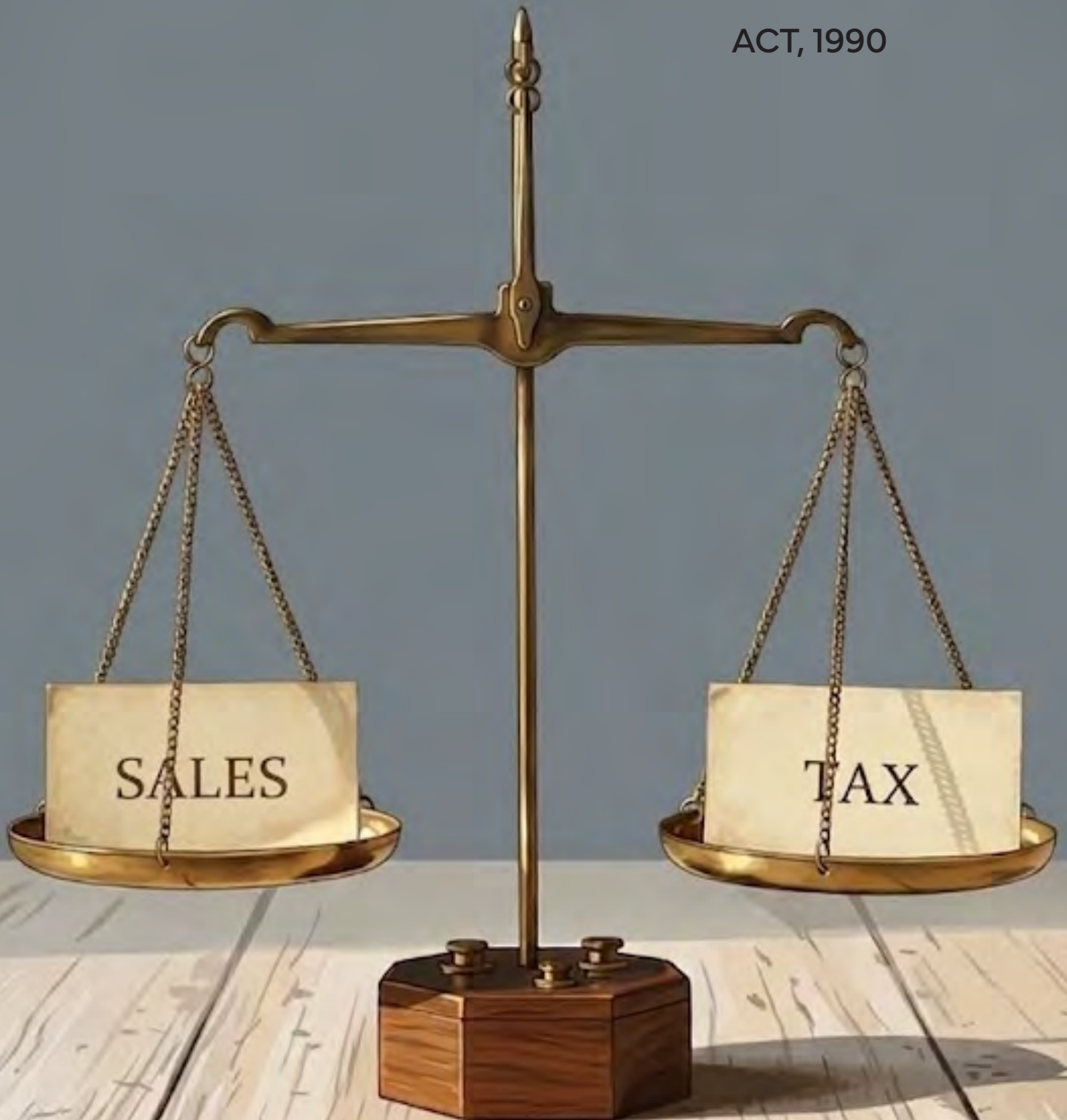
Rules for persons not appearing In the active taxpayer's list

A new concept of late filer was introduced through Finance Act, 2024 which provided for separate rate of withholding tax on account of sales and purchase of immovable properties under section 236C and 236K. The bill proposes to omit this concept of late filer from the above schedule.

The bill also proposes to withdraw the exemption of hundred percent increase of tax deduction on account of sale of securities listed on the Pakistan Stock Exchange, resulting in hundred percent increase in withholding tax rate for non-filers.

SALES TAX

ACT, 1990



SALES TAX ACT, 1990

Format of advance receipt invoice

[Sec 2(1AA)]

- The Finance Bill proposes to empower the Board to prescribe the format for issuance of advance receipt invoice for the purpose of sales tax. However, the format of the invoice would be separately notified by the Board.

Algorithm Settlement Mechanism

[Sec 2(1AAA) & (47AA)]

- The Finance Bill proposes a new digital settlement of tax before issuance of the order under section 11D or 11E of the Act. Such settlement offer will be generated through an algorithm based on compliance history, nature of discrepancy, and stage of proceedings. The taxpayer has to accept the settlement offer within ten days of such offer and deposit the offered amount, leading to abatement of related issues. This is intended to reduce litigation and promote early dispute resolution.
- However, such settlement shall not preclude proceedings in respect of any other issue or discrepancy not covered by the settlement offer, nor shall it affect proceedings relating to any other tax period.

Electronic Invoicing System

[Sec 2(9AB)]

- The Finance Bill proposes to empower the Board to prescribe or approve the electronic system or mechanism for issuance and recording of sales tax invoices in electronic form.

National Faceless Centre

[Sec 2(17A), 32C, 30AA]

- The Finance Bill proposes to establish National faceless center to bring transparency in conducting sales tax proceedings. Through the insertion of section 32C, the Board is empowered to establish National faceless center to conduct the proceedings under the Act in faceless manner through the use of algorithms for jurisdiction assignment. It further provides that all the communications, within field formation and with the registered person, its authorized representative and any other person shall be made

through electronic means with regard to information, documents, evidence or any other details.

- The functions of audit, assessment and quality control in a specific case for a specific tax period shall be performed by separate officers.
 - This measure will assist in eliminating the physical interaction between the registered persons and officers of Inland Revenue and to curb the corruption, ensure consistency and limit discretionary powers.

In line with the proposed insertion of section 32C, the assignment of functions and powers of Inland Revenue Tax Authorities appointed in National faceless center shall be governed under this newly inserted section 30AA.

The Bill also proposes that the Board, on the request of Chief Commissioner appointed in NFC directs the officer of Inland Revenue having jurisdiction to conduct physical verification of the nature and size of business assets, investments, expenditures or any other information or verification required by Chief Commissioner. Further, the identity of the authority exercising jurisdictions in NFC shall be kept confidential and no notice or order shall be called into question on the ground that the authority has no jurisdiction, lack of notified delegation power and non-disclosure of identity.

Production Monitoring System

[Sec 2(22)(1A)]

- The Finance Bill proposes to introduce the concept of a system or technology used for the purpose of monitoring production and sale of goods and also empowers the Board to prescribe such system or technology.

Tier-I Retailers [Sec 2(43A)]

- Certain persons are prescribed as Tier-I retailers who are required to integrate their business with FBR for real time reporting. However, the Finance Bill proposes to exclude following persons from the purview of Tier-I retailers:
 - Wholesaler-cum-retailers having turnover not exceeding Rs. 200 million;

- Retailers having turnover not exceeding Rs. 200 million or through working back the value of tax collected from such retailer under section 236G or 236H of the Income Tax Ordinance, 2001 during the immediately preceding 12 consecutive months;
- Retailers who were prescribed as Tier-I retailers due to the reason of acquiring point of sale for accepting payment through debit or credit cards are also proposed to be excluded in case their turnover does not exceed the prescribed turnover of Rs. 200 million as aforesaid.

Besides the above, the Finance Bill also proposes to empower the Board to include or exclude any person through a notification in Official Gazette.

Time of Supply [Sec 2(44)]

- The Finance Bill proposes to clarify that for the purpose of supply of goods the time at which the goods are delivered or made available to the recipient shall mean the time at which the goods become ready for dispatch from the business premises including factory, warehouse, godown, branch.

Value of Supply [Sec 2(46)]

- The Finance Bill proposes to authorize the Board to use the valuation of imported goods as notified by the Pakistan Bureau of Statistics immediately before start of the tax period. The Board is also empowered to outsource the functions of valuation of goods to third party in the prescribed mode and manner.

Time and manner of payment of sales tax for steel melters, re-rollers and composite units [Sec 6(2)]

- The Finance Bill proposes to collect sales tax from steel melters, re-rollers and composite units on the basis of per unit electricity consumption at the rate to be prescribed by the Board through notification in official gazette. The tax so collected shall be adjustable against their output tax liability and any excess input sales tax is proposed to be refunded on monthly basis through Board's automated refund system subject to condition that such registered persons integrate with Board's prescribed production monitoring and digital invoicing system.

Extent of adjustable input tax [Sec 8B(1)]

- A registered person is not allowed to claim input tax adjustment during a tax period in excess of ninety percent of output tax subject to certain exclusions. The Finance Bill proposes to empower the Board to enhance or reduce the aforesaid threshold of ninety percent for any registered person through notification in official gazette based on status of compliance with the production monitoring, digital invoicing, e-bility, POS or any other electronic system prescribed by the Board for digital integration of data.

Mechanism for issuance of debit or credit notes [Sec 9]

- The Finance Bill proposes to empower the Board to prescribe mechanism for issuance of debit and credit notes including electronic adjustments.

Faceless audit and assessment [Sec 11H]

- To bring transparency in sales tax audit, assessments and rectification under section 25, 72B, 11E and 57, the Finance Bill proposes to conduct proceedings in faceless manner to be prescribed by the Board. The Board is also authorized to notify the persons or class of persons, incomes or class of incomes, or cases or class of cases for conducting audit or assessment in faceless manner.
- In conducting audit in faceless manner, opportunity of hearing or submission of statement of oath from a taxpayer to be obtained through e-hearing without disclosing identity of the officer conducting e-hearing including his facial and voice identity.

Blacklisting and suspension of registration [Sec 21(2)]

- The Finance Bill proposes to empower the Commissioner to suspend and blacklist the sales tax registered person if he fails to integrate electronic invoicing system with Board's computerized system as required under section 23(5) and (6) of the Act or fails to implement monitoring or tracking of production, sales, clearance, stocks or other related activity through electronic or other means by the specified person as required under section 40C of the Act.

Tax Invoice [Sec 23(1)]

- The registered person making a taxable supply is required to issue a serially numbered tax invoice. However, the Finance Bill proposes to extend the scope of issuance of tax invoices to exempt supply as well. Further the concept of serial number on invoice is proposed to be replaced with the verifiable and unique FBR invoice number in case of tax invoices including an advance receipt invoices from time to time to be notified by the Board. The Board will also notify the person or class of persons who may be allowed to issue an advance receipt invoice within the notified system.
- Furthermore, the condition of mentioning CNIC or NTN in case of supply to unregistered distributor proposes to be withdrawn.

Audit of sales tax affairs [Sec 25]

- The Finance Bill proposes to enhance the powers of the Commissioner during audit proceedings to require registered person to:
 - get the accounts re-audited by an accountant and to furnish a report of such audit duly signed and verified by such accountant including answers to the specific queries of the Commissioner; or
 - revalue inventory by a cost accountant and to furnish a report of such inventory valuation duly signed and verified by such cost accountant includes answers to specific queries of the Commissioner.

Such accountant or cost accountant shall be nominated by the Commissioner from the panel nominated by the Board.

The Commission would exercise the above powers with prior approval of the Chief Commissioner and after giving reason opportunity of hearing to the registered person having regard to:

- (a) nature and complexity of the accounts; or
- (b) volume of the accounts; or
- (c) doubts about the correctness of the accounts; or
- (d) multiplicity of transactions in the accounts; or
- (e) specialized nature of business activity of the registered person and interest of revenue.

Further, the Finance Bill also proposes a requirement to issue an audit report by an Officer Inland Revenue conducting audit proceedings prior to passing order under section 11E of the Ordinance.

Furthermore, amount of penalty payable is proposed to be reduced to fifty percent if the registered person deposits the short paid amount of tax or tax evaded along with default surcharge after issuance of show cause notice.

The establishment of Directorate General (Field Compliance) Inland Revenue [Sec 30DDDB]

- In line with the establishment of various directorates to exercise administrative functions under the Act, the Finance Bill proposes to establish the Directorate General (Field Compliance) Inland Revenue. The Bill proposes to empower the Board to notify functions, jurisdictions and power of the Directorate General and its officers.

Monitoring or tracking by electronic or other means [Sec 40C (2), (3) & (6)]

- The Finance Bill proposes to align the monitoring or tracking of certain notified persons or goods through newly proposed Production Monitoring System and other prescribed monitoring mechanism.
- Further, the bill withdraws the power of Board to approve price for acquisition of stamps, banderols, stickers, labels, barcodes, production monitoring equipment etc from a licensee appointed by the Board.
- The Finance Bill also proposes to seize and confiscate the taxable goods along with the conveyance used for the transportation of such goods, where the goods are manufactured, produced, removed, transported, supplied or otherwise dealt without affixing the prescribed tax stamps, banderoles, stickers, labels, barcodes or without compliance with the prescribed monitoring system.

Sale of confiscated goods by auction [Sec 40F]

- The Finance Bill proposes to introduce a structured mechanism for disposal of confiscated goods through public auction through electronic means. The proceeds from sales of such confiscated goods will first cover sale expenses, then government taxes, penalties and dues, and remaining balance will be returned to the owner subject to the application within six months of such sales.

However, wherein goods declaration has been filed, the share of importer in sales proceeds shall not exceed the declared value of the goods.

The amendment ensures transparency, accountability, and proper recovery of government dues. Further, for the implementation of such sale, the Board shall be bound by Public Procurement Regulatory Authority Rules, 2014.

Faceless appeals [Sec 45C]

- The Finance Bill proposes to introduce a faceless appeal system where appeals under section 45B may be processed through a National faceless centre (NFC) in line with the establishment of NFC and faceless audit and assessment mechanism. This aims to digitize the appellate process, reduce physical interaction, and improve efficiency and transparency.

Formation of Independent Case Scrutiny Committee [Sec 47AAA]

- The Finance Bill proposes to establish an Independent Case Scrutiny Committee to review and approve cases before filing appeals or review petitions before higher courts by the Commissioner of Inland Revenue. The committee will include a retired judge who shall also act as Chairman, senior advocate having 15 years in the tax and commercial litigations, and FBR officer (BS 20 or above). Its recommendations will be binding on Commissioner Inland Revenue, ensuring only legally strong cases proceed to litigation and reducing unnecessary court burden.

Disclosure of information by a public servant. [Sec 56B]

- The Finance Bill proposes to empower the Board to share sector-wise sales tax return data among all registered persons of the same sector under strict non-disclosure agreements, subject to prescribed conditions, for improving tax compliance and ensuring market equity.

Offences and penalties. [Sec 33]

- The Finance Bill proposes to increase the penalties in following cases:
 - Penalty for failure to furnish sales tax return within due date is proposed to be increase from Rs. 10,000 to Rs. 50,000. Further, minimum penalty in case return is filed within 10 days of due date is also proposed to be

increased from Rs. 200 per day to Rs. 2,000 for each day of default.

- The minimum penalty for failure to issue an invoice is proposed to be increased from Rs. 5,000 to Rs. 25,000.
- The penalty for issuance of unauthorized tax invoice is currently Rs. 10,000 or 5% of tax involved whichever is higher. such penalty is proposed to be increased to Rs. 50,000 or 10% of tax involved, whichever is higher.
- The minimum penalty for failure to deposit the tax within the due date is proposed to be increased from Rs. 10,000 to Rs. 50,000. Further, in case tax is deposited within ten days, penalty of Rs. 500 per day is also proposed to be increased to Rs. 5,000 per day of default.
- The minimum penalty for failure to apply for sales tax registration before making taxable supply is proposed to be increased from Rs. 10,000 to Rs. 50,000.
- The minimum penalty for failure to maintain the required records is proposed to be increased from Rs. 10,000 to Rs. 50,000.
- The penalty for failure to integrate business for monitoring, tracking and reporting or recording of sales, production, etc., is proposed to be upto one million rupees and if the default continues after one month of imposition of first penalty, a second penalty upto five million rupees could be imposed. Further, the business premises shall be sealed with or without imposition of penalty.

The Finance Bill proposes to impose penalties against certain offences.

- In case of issuance of simulated or fictitious sales invoice or for which no actual supply is taken place, the penalty is proposed to be imposed equal to the face value of simulated or fictitious invoice. It further provides that the name of the issuer to be placed on the publicly accessible simulated invoice register and the input tax claimed by counterparty on invoices issued by such person will be treated as inadmissible and will be reversed automatically.

- o Further, in case as registered person claims input tax on invoice issued by simulated invoice issuer and fails to reverse the same within sixty days of the listing of the invoice
- o issuer on the register, such person shall pay penalty of 20 percent of the unreversed input tax credit in addition to reversal of such input credit and default surcharge.
- o Listing on the register shall be removed upon full payment of penalty and default surcharge and upon satisfactory demonstration of compliance.
- o In case the input tax claimed does not match with the supplier's output tax in the same or proximate tax period, is identified by Board's computerized system, the penalty of 20 percent of the unmatched input is proposed to be imposed in addition to reversal of the input tax and payment of default surcharge.

Third Schedule – Sales tax on retail prices basis

The Finance Bill proposes certain goods chargeable to sales tax on retail price basis.

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

58	Sauces, ketchup and other preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard, sold in retail packing.	Respective headings
59	Fermented beverages, sold in retail packing.	Respective headings
60	Petroleum jelly, paraffin wax, micro- crystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes, and similar products obtained by synthesis or by other processes, whether or not coloured, sold in retail packing.	27.12
61	Insecticides, rodenticides, fungicides, herbicides, anti- sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles put up in forms or packings for retail sale.	38.08
62	Plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls, sold in retail packing.	39.19, 39.20, 39.21
63	Tableware, kitchenware, plastic furniture, storage items, hygienic or toilet articles, and allied other household articles of plastics, sold in retail packing.	Chapter 39

64	Trunks, suit- cases, vanity- cases, executive- cases, briefcases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling- bags, insulated food or beverages bags, toilet bags, rucksacks, handbags, shopping-bags, wallets, purses, map- cases, cigarette-cases, tobacco-pouches, tool bags, sports bags, bottle-cases, jewellery boxes, powder- boxes, cutlery cases and similar containers, of leather or of composition leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered with such materials or with paper, put up for retail sale.	42.02
65	Footwear (all types)	Respective headings
66	Bathroom accessories and bath items, sanitaryware including taps, showerheads, fittings, mixers, valves and other washroom accessories and fixtures, sold in retail packing	Respective headings
67	Crockery Items, sold in retail packing	Respective headings
68	Car and automobile accessories, sold in retail packing	Respective headings

69	Milk, fat filled milk, preparations suitable for infants, and other products of milk, sold in retail packing	Respective headings
70	Preparations for use on the hair, sold in retail packing	33.05
71	Pre- shave, shaving or after- shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorisers, whether or not perfumed or having disinfectant properties, sold in retail packing	33.07
72	Toilet or facial tissue stock, towel or napkin stock and similar paper of a kind used for household or sanitary purposes, cellulose wadding and webs of cellulose fibres, whether or not creped, crinkled, embossed, perforated, surface-coloured, surface-decorated or printed, in rolls or sheets, put up for retail sale.	4803.0000, 48.18
73	Jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter, other fruit and vegetable preparations, sold in retail packing	20.07, 20.08

74	Household utensils, including Stainless steel, aluminum, melamine and other utensils and tableware.	Respective headings
75	Ceramic Products including wash basins, commodes, tiles and allied ceramic sanitary products, put up for retail sale.	69.10

Note: Where the Federal Government has notified that the sales tax shall be charged, levied and paid at a rate higher than eighteen percent, the same rate shall continue to be charged, levied and paid after their inclusion under the Third Schedule.

Sixth Schedule – Exemptions

Table-I (Imports & local supply)

The Finance Bill proposes certain goods chargeable to sales tax on retail price basis.

- The Finance Bill proposes to exempt magazines from sales tax in line with exemption already available to newsprint and books under serial no. 32 of the Table I.
- The exemption from sales tax is available under serial no 157 of Table-I on import of CKD (in kit form) of certain 4 wheelers electric vehicles till June 30, 2026. The Finance Bill proposes to extend the said exemption till June 30, 2027
- The Finance Bill proposes to enhance the scope of exemption available on import or lease of aircraft and related parts by Pakistan International Airlines Corporation Limited (PIACL) subject to certain proposed conditions.
- Following goods proposes to be exempted

Sr. No.	Description	Tariff Heading
182	Contraceptives	3926.9020 and 4014.1000
183	Female Sanitary Pads / Tampons	9619.0030
184	Import of: – Tankers, – Dredgers, – Floating or submersible drilling, or production platforms, –	8901.2000 8905.1000 8905.2000 8905.9000 8901.9000

	Others floating structures and vessels. – Other vessels for the transportation of goods Excluding Cruise ships, excursion boats and similar vessels principally designed for the transport of persons; ferry- boats of all kinds Provided that the quantity of imported goods under this entry shall be approved by Ministry of Maritime Affairs	Respective headings
185	Import of bullet proof vehicles by the: (i) Federal Government for logistic arrangements for Shanghai Cooperation Organization (SCO) summit subject to the prior approval from the Ministry of Foreign Affairs and the Ministry of Interior and Narcotics Control (ii) By the Federal Government or Provincial Government for threat of terrorism against a public functionary as determined by the Ministry of Interior and Narcotics Control, subject to approval by the Federal Government.	Respective headings

8A.	Imports or supplies made by, for or to a qualified investment as specified at Serial No.1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act.”
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TABLE –3 (IMPORTS)

Table-I (Imports & local supply)

The Finance bill seeks to exempt sales tax on import of plant and machinery subject to certain conditions.

23	Import of following machinery/ equipment for upgradation of existing refineries: 1. Reactors, 2. Shell and Tube Exchangers, 3.Vessels (Strippers/ Separators/ K.O. Drums), 4. Trim Coolers, 5. Air Coolers (Condensers), 6. Fired Heaters, 7. Centrifugal Pumps, 8. Reciprocating Pumps, 9.Centrifugal Compressors, 10.Reciprocating Compressors, 11. Steam Reformer Furnaces, 12 Filters, Provided that all such imports shall be essentially made for expansion of balancing, modernization, and rehabilitation of existing refineries and the quantity imported by each refinery shall be approved by Ministry of Petroleum and Natural Resources.	8419.8990, 8419.5000, 8419.8990, 8418.6990, 8419.8990, 8417. 8000, 8413.7090, 8413.5000, 8414.8090, 8414.8090, 8417.8000, 8421.3990	The goods shall be imported directly by the refinery after approval by the division concerned.
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24	Import of machinery, equipment, raw materials, components and other capital goods, by Karachi Shipyard and Engineering Works Limited	Respective headings as approved by the concerned Division.	The Division dealing with the subject matter shall certify in the prescribed manner and format as per Annex-B that the imported goods are bona fide requirement. The authorized officer of the Ministry shall furnish relevant information all online to Pakistan Customs Computerized System against a specific user ID and password obtained under section 155D of the Customs Act, 1969.
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Eighth Schedule – Goods subject to reduced rate.

The Finance bill proposes to make following changes in the Eighth Schedule to the STA, 1990.

- Reduced rate of sales tax at the rate of 1% is applicable under serial no. 71 in case of certain locally manufactured or assembled 4 wheel electric vehicles till June 30, 2026. The Bill proposes to extend the application of reduced rate till June 30, 2027
- The Finance Bill proposes to allow reduced sales tax rate of 1% under serial no. 80 on Electric Trucks in CBU condition. Previously, exemption was available only in case of EV transport buses of 25 seats or more in CBU condition.

Eleventh Schedule – Sales Tax Withholding

- The Finance Bill proposes to enhance the scope of sales tax withholding agent in case of purchase of goods from inactive vendors. Now, Association of Person (AOP) and Individuals are also proposed as withholding agent in addition to companies.
- The Finance Bill also proposes the registered person engaged in toll manufacturing as a withholding agent in case of supplies to unregistered persons. Sales tax withholding is required to be made at four times of tax charged on conversion charges.

Twelfth Schedule – Value Addition Tax

- Value addition tax is not chargeable in case of import of raw material and intermediary goods by a manufacturer for in house consumption excluding certain specified goods.
- The Finance Bill proposes that the manufacturer shall be liable to pay 3% value addition tax on ad valorem basis, along with default surcharge in case the imported goods are supplied in the same state whether in the same packing, repacked, or in bulk.
- Further, such person will be liable to prosecution in case :
 - (i) benefit of waiver of 3% value addition tax is availed, declaring that the goods are imported for in-house consumption in manufacturing process;
 - (ii) such imported goods are not used for in-house consumption;
 - (iii) imported goods are supplied in the same state whether in the same packing, repacked, or in bulk; and
 - (iv) such supply exceeds 50% of total imports in a financial year; such person will be liable to prosecution.”Further, such person will be liable to prosecution in case :

This proposed amendment has been made to prevent the manufacturers from evading the value addition tax claiming goods are imported for in-house consumption.



CAPITAL VALUE TAX

FINANCE ACT, 2022

The capital value tax was introduced vide Finance Act, 2022 where by tax at the rate of 1% was levied on foreign assets of the individuals.

The bill now proposes to give relief to resident persons on account of foreign assets from the chargeability of capital value tax.





FEDERAL EXCISE

ACT, 2005

Definition [Sec 2]

Algorithmic settlement mechanism [Sec 2(2A)]

The Bill proposes to insert a new definition of “**algorithmic settlement mechanism**” in the Federal Excise Act, 2005 by making reference to the mechanism provided under section 26AAA of the Sales Tax Act, 1990. The proposed amendment aims to align the Federal Excise Act with the corresponding provisions of the Sales Tax Act, thereby facilitating the implementation of automated and technology-driven settlement procedures prescribed under the sales tax regime

Electronic invoicing system [Sec 2(9B)]

The Bill proposes to insert the definition of “**electronic invoicing system**” as any electronic system or mechanism as may be prescribed or approved by the Board for issuance and recording of sales tax invoices in electronic form. The amendment is intended to provide a legal framework for the implementation of electronic invoicing under the Federal Excise regime.

National faceless centre [Sec 2(16A1)]

The Bill proposes to insert the definition of “**National Faceless Centre**” by adopting the definition provided in section 32C of the Sales Tax Act, 1990. The amendment is intended to align the Federal Excise framework with the faceless audit and assessment mechanism introduced under the Sales Tax Act, 1990.

Production monitoring system [Sec 2 (19B)]

The Bill proposes to insert the definition of “**production monitoring system**” as any system or technology used for monitoring production and sale of goods, whether in real-time or otherwise. The definition also includes such systems or technologies as may be prescribed by the Board from time to time, thereby granting regulatory flexibility to expand the scope of monitoring tools.

Special excise duty [Sec 3(3B)]

The Bill proposes to insert a new sub-section (3B) in Section 3, under which a Special Excise Duty shall be levied and collected, in addition to the duty chargeable under sub-section (1), on goods specified in the newly inserted **Table-IA of the First Schedule** at the prescribed rates. The proposed Table-IA primarily covers imported motor vehicles of specified engine capacities and categories. The Board has been empowered to determine and prescribe the time, mechanism, procedure, mode and manner for collection of such duty.

National faceless centre and Algorithmic settlement mechanism [Sec 7A]

The Bill proposes to insert a new section 7A in the Federal Excise Act, 2005, introducing provisions relating to faceless administration and digital settlement of proceedings.

- Under the proposed framework, audit and assessment proceedings under the Act may be conducted in a faceless manner through the National faceless centre.
- The provisions of the Sales Tax Act, 1990 relating to establishment of the faceless centre, assignment of jurisdiction, conduct of audit, assessment and appeals shall apply mutatis mutandis for the purposes of this Act.
- The Board has further been empowered to establish a digitally operated algorithmic settlement mechanism for resolution of proceedings at any stage prior to the passing of an order.

Invoices [Sec 18(1)]

Currently, law only requires the issuance of a serially numbered invoice, the proposed provision requires the invoice to bear a verifiable and unique FBR invoice number.

Secondly, the provision expressly includes advance receipt invoices within the definition of invoices that may be issued under the Act. The existing provision does not recognize advance receipt invoices. Further, the amendment requires invoices to contain the prescribed particulars in Urdu or English language.

The amendment empowers the Federal Board of Revenue (FBR) to notify specific persons or classes of persons who may be permitted to issue advance receipt invoices under a notified system.

The amendment further provides that the requirement to issue invoices bearing a verifiable and unique FBR invoice number shall become effective from a date to be notified by the Board.

Offences, penalties, fines and allied matters [Sec 19]

The Bill proposes an amendment to Section 27(1) of the Federal Excise Act, 2005 relating to confiscation and destruction of seized goods.

Currently, cigarettes or beverages seized on account of counterfeiting, or goods without affixed tax stamps, banderoles, stickers, labels, or barcodes, or bearing counterfeit tax stamps or markings as required under section 45A of the Act, are liable to outright confiscation and destruction in the prescribed manner.

The proposed amendment extends the scope of this provision to include goods that are required to be monitored through a production monitoring system under the Act and the rules made thereunder. Such goods shall also be liable to outright confiscation where they are manufactured, produced, transported, removed, or otherwise dealt with without the prescribed monitoring mechanism.

Independent case scrutiny committee [Sec 34AA]

The Bill proposes to insert a new Section 34AA in the Federal Excise Act, 2005, requiring that any reference before the High Court under Section 34A, or any appeal/review before the Federal Constitutional Court or the Supreme Court of Pakistan, may only be filed by the Commissioner Inland Revenue after approval by an Independent Case Scrutiny Committee constituted by the Board.

The Committee shall comprise a retired judge of the Supreme Court/Federal Constitutional Court/High Court (as Chairman), an advocate with at least fifteen years' experience in duty and commercial litigation, and a senior serving or retired FBR officer (BS-20 or above).

The powers, functions, and procedure of the Committee along with remuneration of its members shall be governed as may be prescribed. Recommendations of the Committee shall be binding on the Commissioner Inland Revenue, and its members along with the Commissioner shall enjoy immunity from suit or prosecution in relation to decisions made under this section.

The committee constituted under this sub-section shall exercise its powers and functions with effect from the date notified by the Board

Monitoring or tracking by electronic Or other means [Sec 45A].

The Bill proposes to substitute Section 45A relating to monitoring and tracking mechanisms. The amendment expands the scope of the provision to cover excisable services in addition to excisable goods and introduces a more comprehensive technology-driven framework for monitoring production, clearance, movement and supply through enhanced electronic surveillance and tracking systems. Such tax stamps, banderoles, stickers, labels, barcodes and production monitoring equipment shall be acquired by the registered person from a licensee appointed by the Board.

The proposed changes are aimed at strengthening digital monitoring, documentation and enforcement under the Federal Excise regime.

Audit [Sec 46]

The bill proposes significant amendments to Section 46 relating to audit. Under the existing law, an Officer of Inland Revenue authorized by the Board or Commissioner could conduct audit once a year; this restriction has now been removed.

The substituted sub-section (2A) provides that an audit report will be issued after obtaining the taxpayer's explanation on all audit observations and findings.

Newly inserted sub-section (2B) allows audit proceedings to be conducted electronically, including through video link or other prescribed means.

Sub-section (2C) further provides that an order

under subsection 2 of section 14 may be issued only after giving proper opportunity of hearing through a show cause notice under subsection 1 of section 14.

The bill further proposes to introduce a clear distinction between payments made before and after issuance of a show cause notice. Under the current law, a taxpayer can settle liability at any time during or after audit but before completion of adjudication by paying the tax, default surcharge, and 25% of penalty, after which proceedings abate. The proposed change restricts this window by creating two stages: payment made before issuance of a show cause notice will still qualify for 25% penalty relief, while payment made after issuance of the show cause notice will require payment of 50% penalty, though proceedings will still be closed upon payment.

The bill proposes to allow the Commissioner to order a re-audit of accounts or revaluation of inventory where issues like complexity, high volume of transactions, doubts about accuracy, or revenue concerns exist. However, this power can only be exercised after giving the taxpayer a chance to be heard and with approval of the Chief Commissioner. In such cases, the taxpayer may be required to get their accounts re-audited by a nominated accountant or inventory revalued by a nominated cost accountant from a Board-approved panel, and submit the relevant reports and answers to departmental queries.

Nomenclatural amendments

The Bill proposes various amendments in the Federal Excise Act, 2005 to replace references to “Federal Excise Officer” and “Federal Excise” with “Officer of Inland Revenue” and “Inland Revenue”, respectively. These amendments have been proposed in sections 32, 33, 43A and 44 of the Act.

The proposed amendments are consequential and nomenclatural in nature, aimed at aligning the terminology used in the Federal Excise Act, 2005 with the existing Inland Revenue administrative framework and ensuring consistency with the Sales Tax Act, 1990 and other tax laws. These amendments do not result in any substantive change in the rights, obligations, procedures, appellate remedies, penalties, refunds, adjustments or administrative powers under the Act.

FIRST SCHEDULE

The First Schedule of FED Act, 2005 lists excisable goods in table 1 and excisable services in table 2. The Bill proposes the following changes in the table 1 of First Schedule

- The bill proposes the following new rates for the goods in table 1;

Sr. No.	Description of Goods	Existing rate of duty	Proposed rate of duty
7a	Acetate tow	Rs. 44,000 per kg	Rs. 10,000 per kg
8d	E-liquids by whatsoever name called, for electric cigarette kits	Rs. 10,000 per kg or 65% of retail value, whichever is higher	Rs. 16,500 per kg

- At serial number 55 and 55B, the date of imported vehicle was extended from June 30th, 2026 to June 30th, 2027 against the same old rate of duty for the imported motor cars, SUVs and other motor vehicles, excluding auto rickshaws, principally designed for the transport of persons (other than those of headings 87.02), [and till the 30th day of June, 2026 electric vehicles (4 wheelers)] including station wagons and racing cars
 - (a) of cylinder capacity up to 1000cc
 - (b) of cylinder capacity from 1001cc to 1799cc
 - (c) of cylinder capacity 1800cc to 3000cc
 - (d) of cylinder capacity exceeding 3001cc



- The bill proposes the insertion of following new entry after Sr. No. 55,

Sr. No.	Description of goods	Heading/sub-heading Number	Rate of duty
55A	Electric cars, electric SUVs, and electric pickup vehicles, imported for personal use in CBU condition, value of import including Custom Duty:-	Respective Heading	
	(a) Not exceeding PKR 20 million		0%
	(b) exceeding PKR 20 million and upto PKR 30 million		30%
	(c) exceeding PKR 30 million		40%

- Currently under Sr. No. 59 Sugary Fruit juices, syrups and squashes, waters exclude mineral and aerated waters, however, now the bill proposes further exclusion of hydration drinks or electrolyte beverages specifically formulated to support hydration, electrolytes replenishment not containing sugar exceeding 5g/100 ml or artificial sweetener as well.

- For entry 63, the following entry shall be substituted:

Sr. No.	Description of goods	Heading/sub-heading Number	Rate of duty
63	Lubricating oil and base lubricating oils	2710.1951 2710.1952 2710.1953 2710.1993	Five percent ad valorem



- The bill proposes the insertion of following new entries after Sr. No. 64,

Sr. No.	Description of goods	Heading/sub-heading Number	Rate of duty
	(i) Petroleum top Naphtha	2710.1942	(i) Rs. 80 per liter
	(ii) White Spirit/Mineral Turpentine Oil (MTT)	2710.1240	(ii) Rs. 80 per liter
	(iii) Solvent Oil	2710.1250	(iii) Rs. 80 per liter



- Restriction-2 – Brand variants at different price points**

The Bill proposes to amend Restriction-2 to prohibit manufacturers and importers from introducing or selling a new cigarette brand variant at a price lower than the lowest price of the existing brand as on the date of announcement of the Budget for the relevant financial year. The amendment also revises the definition of “brand variant” by linking it to identical names, trademarks, designs, patterns, or other distinguishing marks associated with an existing brand. This amendment aims to prevent the introduction of lower-priced variants of existing cigarette brands and strengthen the minimum pricing regime.

Table IA

The bill proposes the following new table IA be inserted:

Sr. No.	Description of goods	Heading/sub-heading Number	Rate of duty
(1)	(2)	(3)	(4)
	Imported motor cars, SUVs and other motor vehicles, excluding auto rickshaws, principally designed for the transport of persons (other than those of headings 87.02), and till the 30th day of June, 2027 electric vehicles (4 wheelers) including station wagons, double cabin (4x4) pickup vehicles and racing cars:	87.03 8704.2190 8704.3190	
	(a) of cylinder capacity exceeding 2000cc but not exceeding 3000cc		40% ad val
	(b) of cylinder capacity exceeding 3000cc		41% ad val



- The bill proposes following changes in the Sr. No. 3 of the table-II.

Sr. No.	Description of goods	Heading/sub-heading Number	Proposed rate of duty
(1)	(2)	(3)	(4)
	Facilities for travel (b) Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan,	87.03	
	(ii) Club, business and first class air tickets issued on or after the 1st day of July, 2026 (proposed)(existing 1st day of July, 2024):		
	(a) IATA Traffic Conference Area 1 (North, Central, South America and Environs)	(a) Three hundred and fifty thousand rupees	(a) Fifty thousand rupees
	(b) IATA Traffic Conference Area 2 (I) Middle East and Africa	(b)(I) One hundred and five thousand rupees	(b) (I) Twenty-five thousand rupees
	(II) Europe	(b)((II) Two hundred and ten thousand rupees	(b) (II) Forty thousand rupees
	c) IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands)	(c) Two hundred and ten thousand rupees]	(c) Forty thousand rupees.

SECOND SCHEDULE

The Bill proposes to insert a new entry in the Second Schedule to the Federal Excise Act, 2005. The proposed amendment aims to bring certain petroleum products within the Federal Excise Duty regime operating under the sales tax mode. Consequently, Federal Excise Duty on these goods shall be charged, collected and adjusted in the same manner as sales tax under the Sales Tax Act, 1990, thereby enabling input tax adjustment and streamlining the taxation mechanism for such products. The proposed entry is as follows:

Sr. No.	Description Of Goods	Heading/ sub-heading Number
5	Imported and locally produced:	
	(i) Petroleum top Naphtha	2710.1942
	(ii) White Spirit/Mineral Turpentine Oil (MTT)	2710.1240
	(iii) Solvent Oil	2710.1250; and



THIRD SCHEDULE

Table-I

The Bill proposes the insertion of the following new entries in **Table-I of the Third Schedule**, providing conditional exemptions from Federal Excise Duty subject to fulfillment of the prescribed conditions, restrictions, and procedural requirements. The proposed entries is as follows:

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



CONTACT US

Lahore Office:

193-A Shah Jamal,
Lahore.

Phone +92 (0) 42 35403550

Phone +92 (0) 42 35403551

Phone +92 (0) 42 35403588

Fax +92 (0) 42 35403599

Email info@uhy-hnco.com

Islamabad Office:

West Lower Ground, Pak Plaza
(19-A), Fazal Ul Haq Road,
Blue Area, Islamabad.

Phone +92 (0) 51 2873431

Phone +92 (0) 51 2873432

Phone +92 (0) 51 2873433

Fax +92 (0) 51 2873430

Email infoisb@uhy-hnco.com

Karachi Office:

402 Progressive Center,
30-A, PECHS, Block-6,
Shahrah-e-Faisal,
Karachi.

Phone +92 (0) 21 34322551

Phone +92 (0) 21 34322552

Phone +92 (0) 21 34322553

Email info.khi@uhy-hnco.com