



# COMMENTS ON FINANCE BILL 2024

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## **COMMENTS ON FINANCE BILL 2024**

This memorandum has been prepared for the convenience, guidance and general knowledge of our valued clients and staff members and may be used as a ready reference to the proposed amendments mentioned in the **Finance Bill 2024 (Bill)**. The memorandum contains Budget – 2024 at a glance, salient features and comments on the changes proposed through this **Bill** in the taxation laws of the country. All changes are effective from July 01, 2024 unless otherwise specified in these comments.

The comments on the **Bill** represent our interpretation and understanding of the proposed amendments as contained therein. We recommend that the actual text of the **Bill** should be read in conjunction with these comments for a better understanding of the proposed changes and for considering the precise effect of a particular change. Further, reference should also be made to the specific wording in the relevant statutes.

These are general comments on the proposed amendments, which shall be enacted when the **Bill** is passed by the National Assembly; accordingly, for specific application of any part of this information, guidance / advice may be obtained separately in order to avoid any risk. The firm therefore accepts no liability for any action taken as a result of this commentary. We would be glad to entertain any further clarification regarding our comments.

The comments on **Finance Bill 2024** can also be accessed on / downloaded from the website of our firm - <http://www.krestonhb.com>

**Dated: June 12, 2024**

**KRESTON HYDER BHIMJI & CO.  
CHARTERED ACCOUNTANTS**

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## **BUDGET AT A GLANCE IN COMPARATIVE FORM**

	<b>PROPOSED 2024-25</b>	<b>REVISED 2023-24</b>
<i>..... Rs. in billion .....</i>		
<b>Revenue</b>		
Tax Revenue	<b>12,970</b>	9,252
Non-Tax Revenue	<b>4,845</b>	2,947
a) Gross Revenue Receipts	<b>17,815</b>	12,199
b) Less: Provincial Share	<b>(7,438)</b>	(5,427)
<b>Net Revenue Receipts (a-b)</b>	<b>10,377</b>	6,772
<b>Expenditure</b>		
Current expenditure (detailed below)	<b>17,203</b>	14,232
Development expenditure	<b>1,674</b>	928
	<b>18,877</b>	15,160
Federal Budget Deficit (FED)	<b>(8,500)</b>	(8,388)
Less: Provincial Surplus	<b>1,217</b>	539
<b>Net Deficit</b>	<b>(7,283)</b>	(7,849)

**The detail of current expenditure is as under:**

Markup on debt	<b>9,775</b>	8,251
Pension	<b>1,014</b>	821
Defense affairs & services	<b>2,122</b>	1,854
Grants & transfers (provinces and others)	<b>1,777</b>	1,482
Subsidies	<b>1,363</b>	1,071
Provision for contingencies	<b>1,152</b>	753
	<b>17,203</b>	14,232

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## **SALIENT FEATURES OF AMENDMENT PROPOSED IN INCOME TAX ORDINANCE, 2001**

### **A: REVENUE MEASURES**

1. A tax rate for a new category of persons who are late filers (i.e. they become filers after the due date of filing of return only for the sake of a specific transaction to avoid higher rates for non-filers) is being introduced, which is higher rate as compared to filers but lower than the non-filers.
2. The tax rates for non-salaried individuals and associations of persons and salaried individuals have changed. For salaried individuals, beyond the threshold of Rs.600,000 per annum, there are five taxable slabs ranging from 5% to 35%, whereas for non-salaried individuals there have been five taxable slabs with progressive tax rates ranging from 15% to 45%. The proposed slabs are given in Schedule 1.
3. Progressive tax rates on purchases and sales of properties, categorized into three categories i.e. filers, late-filers and non-filers.

- a. On purchase of property, the rate of taxation are proposed as under:

<i>Value of property</i>	<b>Filer</b>	<b>Late filer</b>	<b>Non filer</b>
up to Rs. 50 million	3%	6%	12%
Rs. 50 million to Rs. 100 million	3.5%	7%	16%
Above Rs. 100 million	4%	8%	20%

- b. The proposed progressive advance tax rates at source for sale of immovable property are:

<i>Value of property</i>	<b>Filer</b>	<b>Late filer</b>	<b>Non filer</b>
up to Rs. 50 million	3%	6%	10%
Rs. 50 million to Rs. 100 million	4%	7%	
Above Rs. 100 million	5%	8%	

- c. A flat 15% rate of tax on gains from the disposal of immovable property acquired on or after 1<sup>st</sup> July, 2024 by filers regardless of the holding period is proposed, and for non-filers, progressive tax rates based on the prescribed slab rates in Division I of Part I of the First Schedule, with a minimum tax rate of 15% is proposed.
4. At present, capital gains on sale of securities is taxed on the basis of holding period with maximum rate at 15% and no tax if the holding period exceeds 06 years. Now, for the securities acquired on or after 01 July, 2024, the capital gain on sale of such securities will be taxed at flat rate of 15% for filers, and for non-filers, the gain will be taxed at normal rates with minimum rate of 15% and maximum rate of 45%. Further capital gains income from mutual funds and collective investment schemes is also enhanced from 10% to 15%.

5. Dividend income from mutual funds is taxed @ 15% at present. However, in order to reduce the arbitrage between individual persons deriving income from profit on debt and persons earning dividend income from mutual funds deriving income from profit on debt, it is proposed that rate of dividend derived from a mutual fund which earns 50% or more of its income from profit on debt be enhanced from 15% to 25%.
6. It is proposed that income from exports will be subjected to normal rates with 1% tax collection on their export proceeds be treated as minimum tax, rather than fixed tax of 1%.
7. A lot of restrictions are proposed to be imposed on the non-filers such as blocking of their sims and disconnection of their utility connections. Further, it has been proposed to bar exit from Pakistan of such persons with exceptions for Hajj and Umrah travellers, minors, students, overseas Pakistanis and such other classes of persons as notified by the Board.

In case the implementing agencies do not block sims or disconnect utility connections or not comply with bar on foreign travel, penalty of Rs. 100 million will be imposed upon the implementing agency for first default and Rs. 200 million for each subsequent default. Penalties and prosecutions are proposed for entities failing to fully disclose relevant particulars or submitting incomplete information in their tax returns or failure to file return on discontinuation of their business.

Further, penalty of sealing of shop is being proposed for traders and shopkeepers who fail to register under a scheme such as Tajir Dost Scheme. Further, failure to register by a shopkeeper or trader is proposed to be made an offence punishable on conviction with imprisonment for six months or with fine, or both.

8. The facility of exemption from withholding tax by issuing an exemption certificate on supply of goods and for certain other transactions is being converted into a reduced rate certificate for ensuring documentation of the value chain.
9. Advance tax rate on profit on debt for non-filers is being enhanced from 30% to 35% to increase cost of non-compliance.
10. At present, advance tax is collected on sale to dealers, distributors, wholesalers and retailers of certain specified sectors. Now it is proposed that such tax will be collected from all sectors of the economy so that it is expanded to the entire supply chain comprising all distributors, wholesalers, dealers and retailers with the aim to document the traders.  
Further, the rate for non-filers for dealers, distributors, wholesalers is being enhanced from 0.2% to 2% and for retailer non-filers from 1% to 2.5% so that with the purpose of documentation of traders and to discourage non-filing.
11. In order to tap the true potential of income tax at import stage and to check under declaration by importers, the Board is proposed to be empowered to notify minimum value for calculation of tax at import stage.
12. The prices of motor vehicles have substantially increased, therefore in order to capture true potential of tax it is proposed that basis of tax collection may be changed from engine capacity to percentage of value in cases of all motor vehicles. Moreover, it is also proposed that percentage of tax collection may also be increased in cases of vehicles having engine capacity of more than 2000cc.

13. Federal Government subsidize certain utilities for the consumers and pay to the utility companies and other companies certain amount of revenue in lieu of subsidy to the consumers. As the subsidy is income in the hands of such companies, the exemption to receipts from subsidies is proposed to be withdrawn on the principle of horizontal equity.

On the principle of horizontal equity, it is proposed that the reduced rate of 1% on supply of cigarettes by distributors may be enhanced to 2.5%.

14. The expense equal to 25% of the total advertisement expense of the locally incorporated subsidiary is proposed to be shared with the non-resident associate who is also receiving royalty payment from Pakistan.
15. At present the default surcharge rate is 12% per annum which is significantly lower than the interbank rate and the low rate is a hindrance in recovery of tax arrears. It is therefore proposed that the default surcharge rate be increased to KIBOR rate plus 3% per annum.

#### **B: RELIEF MEASURES**

16. Five years exemption from tax on income and from withholding taxes with effect from 1<sup>st</sup> day of July, 2018 was provided to FATA/PATA up to 30<sup>th</sup> day of June, 2023 which was extended for one year up to 30<sup>th</sup> day of June, 2024.
17. It is proposed that further exemption from income and withholding taxes may be extended for another one year up to 30<sup>th</sup> day of June, 2025.
18. Extension in the period for adjusting unadjusted business losses from six to ten years for Pakistan International Airlines Corporation Limited (PIACL) to support its privatization.

#### **C: STREAMLINING MEASURES**

19. Tax credit under section 65F applies solely to revenue derived from coal mining activities, preventing coalminers from claiming it on their entire income, including interest income.
20. AOPs with turnovers of Rs. 300 million or more would need to submit audited financial statements to discourage misuse and promote transparency and non-compliance would render members' share income taxable.
21. The proposal requires persons paying advance tax to substantiate their estimates of income with documentary evidence to avoid rejection of their advance tax estimates.
22. An explanation is added to the effect that super tax is leviable on banking companies for tax year 2023 and for subsequent years.
23. A saving clause is promulgated to ensure that appeals, references, or revisions initiated before the enactment of the Tax Laws Amendment Act, 2024 are adjudicated based on the legal framework existing prior to the said Act.

## **SALIENT FEATURES OF AMENDMENTS PROPOSED IN SALES TAX ACT, 1990**

1. Withdrawal of various exemptions/zero rating and reduced/fixed rates.
2. 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%).
3. Enhancement in reduced rate of sales tax from 15% to 18% on supplies made by the POS retailers dealing in leather and textile products.
4. withholding regime for lead, coal, scrap of paper and plastic, silica etc.
5. Iron and steel scrap to be exempted from levy of sales tax.
6. A phased withdrawal of exemption granted to ex-FATA/PATA.
7. Board empowered to fix minimum price of the goods falling under Third Schedule.
8. Streamlining and strengthening the provisions related to tax fraud.
9. Changes in the legal provisions related to assessment and audit.
10. Zero-rating of petroleum products is being converted into exemption.
11. Rate of default surcharge is to be aligned with the SBP's policy rate of KIBOR plus 3%.

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## **SALIENT FEATURES OF AMENDMENTS PROPOSED IN FEDERAL EXCISE ACT, 2005**

1. The bill seeks to impose FED on commercial properties and first sale of residential properties @ 5% .
2. The bill seeks to impose FED on acetate tow @ Rs. 44,000, nicotine pouches @ Rs. 1200 per kg and enhancement of FED on e-liquids at higher of Rs. 10,000 per kg or 65% of retail price.
3. Rate of FED on filter rod of cigarettes is to be enhanced from Rs.1500 per kg to Rs.80,000 per kg and increase in threshold of on-pack printed retail price of locally produced cigarettes for determining rate of FED from Rs. 9,000 to Rs. 12,500.
4. The bill seeks to impose FED @ Rs. 15 per kg on supply of sugar to manufacturers.
5. The rate of FED on cement is being proposed to enhance from Rs. 2 per kg to Rs. 3 per kg.
6. The bill seeks to empower the Commissioner to seal business premises of retailers selling illicit cigarettes.
7. The bill aims to provide exemption from FED to diplomats and diplomatic missions.

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**COMMENTS ON PROPOSED AMENDMENT PROPOSED  
IN THE INCOME TAX ORDINANCE, 2001 VIDE FINANCE BILL 2024**

**1. Definition of Board scope extended  
Section 2**

The Bill seeks to amend the definition of Board and extend its scope to include a Member of the Federal Board of Revenue to whom powers of the Board have been delegated under section 8 of the Federal Board of Revenue Act 2007.

**2. Tax withholding on purchase of shares time of payment specifically provided  
Section 37 (6)**

Through Finance Supplementary Act 2023 dated February 23, 2023 provision with respect to tax withholding on purchase of shares were enforced and it provide that person acquiring a capital asset, being shares of a company, shall deduct advance adjustable tax from the gross amount paid as consideration for the shares at the rate of ten percent of the fair market value of the shares which shall be paid to the Commissioner by way of credit to the Federal Government, within fifteen days of the payment.

The Bill seeks to seeks to increase the scope of the above provision by making two amendments:

- Word payable has been added with paid and accordingly it increases the scope to include the purchase of shares on cash or credit, and
- Tax is payable either at the time of payment or at the time of registration of shares by the Securities and Exchange Commission of Pakistan or by the State Bank of Pakistan, whichever is earlier.

Accordingly, henceforth these two new conditions are also to be complied with.

**3. Carry forward of business loss  
Section 57**

Hitherto carry forward of business loss is generally carried forward upto six year in general and 10 years for banking company and 8 years in the case of hotel business. The Government intends to privatize Pakistan International Airlines (PIA) and the Bill seeks to provide benefit of carry forward to tax loss upto 10 year in the case of PIA as well.

**4. 100% tax credit for person engaged in Coal mining project in Sindh and supplying coal exclusively to power generation projects.  
Section 65F**

Hitherto 100% tax credit is available to Coal mining project in Sindh and supplying coal exclusively to power generation projects and also to a startup which is certified by Pakistan Software Export Board and the following two years.

The Bill seeks to inset an explanation and provide that in the case of coal mining projects in Sindh and supplying coal exclusively to power generation projects and this tax credit is only available to the income derived from the operations of coal mining projects in Sindh supplying coal to power generation projects and not otherwise.

**5. Principles of taxation of Association of persons  
Section 92**

Presently an association of persons is liable to tax separately from the members of the association and where the association of persons has paid tax the amount received by a member of the association in the capacity as member out of the income of the association is exempt from tax.

There is no change in the above exemption to a member of an AOP however the Bill proposes to provide for another condition for the eligibility of the above stated exemption and Bill proposes to insert a proviso whereby share of a member of an association of persons having turnover of three hundred million rupees or above during the tax year or any of the preceding tax years shall not be exempt if financial statements duly audited by a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961), or a firm of Cost and Management Accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966) have not been filed along with return of income by the association of persons to whom he is a member.

**6. Imposition of in time Filing of tax return on prescribed date compulsion to enjoy the rates applicable to Filer  
Section 100BA**

Finance Minister in his budget speech expressed his concern about non-filers who become filer any time in the year and accordingly in order to become filer it is necessary that return is filed in the prescribed time and in case the return is not filed by due date the benefit of filer will not be applicable for the remainder of the period.

Amendments have accordingly been proposed in Section 100BA.

**7. Transactions with Associates – inadmissibility of 25% of Royalty to Associates  
Section 108**

Section 108 deals with transaction with Associates and strictly deals with the transaction between Associates. Beside the provisions already enacted the Bill seeks to introduce 25% of amount of royalty as inadmissible expense where the transaction is between associates.

It provides that Notwithstanding the provisions of sub-section (1), for the tax year 2024 and onwards, where any amount is claimed as deduction for the tax year or for any of the two preceding tax years on account of royalty paid or payable to an 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 property or right or contractual right, twenty five percent of the total expenditure for the tax year in respect of sales promotion, advertisement and publicity shall be disallowed and allocated to the said associate. The insertion seems to be harsh as it applies to past two years as well and its retrospective application is not justified and may be challenged by the taxpayers.

**8. Non-filers ineligibility to travel abroad  
Section 114B**

Section 114B provide for the consequences of person who are not on the active tax payer list to face consequences and in this respect already provided that the following actions can be taken there-against.

- (a) disabling of mobile phones or mobile phone SIMS;
- (b) discontinuance of electricity connection; or
- (c) discontinuance of gas connection.

The Bill seeks to impose another condition for foreign travel and it proposes to add another clause (d) which is as under:

- (d) restriction on foreign travel from the country for a citizen of Pakistan, excluding persons holding National Identity Card for Overseas Pakistanis (NICOP), minors, students and such other classes of persons as notified by the Board.”;

The amendment is a positive step to increase the number of taxpayer as being called for from different quarters.

## **9. Disclosure of foreign assets in the wealth statement Section 116**

As a consequence of becoming aware of news and leaks about Pakistani having assets abroad, the Bill seeks to provide for disclosure of foreign assets and amendment has been proposed in Section 116 which specifically requires disclosure of foreign assets in the wealth statement which is already in existence and is being complies as well. However, the Bill seeks to empower the Commissioner to call for such information as well.

## **10. Best Judgement assessment Section 121**

Presently Commissioner is empowered to make assessment of taxable income based on available information if where a person fails to furnish

- return of income in response to notice under subsection (3) or sub-section (4) of section 114; or
- furnish a return as required under section 143 or section 144; or
- furnish the statement as required under section 116; or
- produce before the Commissioner, or a special audit panel appointed under sub-section (11) of section 177 or any person employed by a firm of chartered accountants or a firm of cost and management accountants under section 177, accounts, documents and records required to be maintained under section 174, or any other relevant document or evidence that may be required by him for the purpose of making assessment of income and determination of tax due thereon.

The Bill seek to include and impose the following for framing best judgement assessment in case of non-furnishing of return of income in response to notice under sub-section (3) of section 117 for discontinued business.

## **11. Revision by Commissioner Section 122A**

Vide Tax-laws Amendment Act 2024 amendment were made effective on 3 May 2024 in Section 122A empowering the Commissioner to revise the Order passed by any officer of Inland Revenue other than Commissioner Appeal if the value of the assessment or, as the case may be, refund of the tax does not exceed twenty million rupees.

The Bill seeks to omit the said insertion and thus the legal position restored as what it was before the amendments proposed in the Tax-laws Amendment act 2024.

**12. Pecuniary jurisdiction in appeals.  
Section 126A**

Vide Tax-laws amendment Act 2024 amendment were made effective on 3 May 2024 in Section 126A which provided that

- (1) Subject to other provisions of this Act,—
  - (a) an appeal to the Commissioner (Appeals) shall lie where the value of assessment of tax or, as the case may be, refund of tax does not exceed twenty million rupees; or
  - (b) an appeal to the Appellate Tribunal Inland Revenue shall lie where the value of assessment of tax or, as the case may be, refund of tax exceeds twenty million rupees.
- (2) A person or, as the case may be, officer of Inland Revenue aggrieved by an order of the Commissioner (Appeals) in cases under clause (a) of sub-section (1) may file a reference before the High Court in accordance with section 133.
- (3) A person or, as the case may be, officer of Inland Revenue aggrieved by an order of the Appellate Tribunal in cases under clause (b) of sub-section (1) may file a reference before the High Court in accordance with section 133.
- (4) The cases pending before the Commissioner (Appeals) having the value of assessment of tax or, as the case may be, refund of tax exceeding twenty million rupees shall on and from the 16<sup>th</sup> day of June, 2024 stand transferred to the Appellate Tribunal Inland Revenue.
- (5) All cases transferred from the Commissioner (Appeals) to the Appellate Tribunal under sub-section (4) shall be decided by the Appellate Tribunal within the period provided for under section 132 which period shall commence from the 16<sup>th</sup> day of June, 2024.

The Bill seeks to make the following changes in above section

- (a) in sub-section (1), —
  - (i) for the word “Act” the word “Ordinance” shall be substituted; and
  - (ii) after clause (b), the following explanation shall be added, namely:

“Explanation. – For the purposes of this section value of assessment of tax means the net increase in tax liability of a person as a result of order sought to be assailed and value of refund means net reduction in refund as a result of order sought to be assailed.”; and

- (b) in sub-section (4), for the word “June”, the word “September” shall be substituted and shall be deemed to have taken effect on and from the 16<sup>th</sup> day of June, 2024

Lahore High court in its decision recently decided this ultra vires and enacting this provision in the Finance Act would also in meting out the discrepancy pointed out in the High Court Order.

**13. Appeal to Appellate Commissioner  
Section 127**

Consequential amendment has been proposed in this section for filing of appeal before the Appellate Commissioner whereby appeal will be filed if the value of assessment of tax or, as the case may be, refund of tax does not exceed twenty million rupees.

**14. Appeal to Appellate Tribunal  
Section 131**

Consequential amendment has been proposed in this section for filing of appeal before the Appellate Tribunal whereby appeal will be filed if the value of assessment of tax or, as the case may be, refund of tax exceed twenty million rupees directly to Appellate Tribunal by the Taxpayer since in those cases the appeal cannot be filed to the Appellate Commissioner.

**15. Advance tax – Estimate of tax payable to be supported with estimated turnover and corroborated with evidence  
Section 147**

The Bill seeks to empower the Commissioner to reject the lower estimate of advance tax and estimate in absence of last assessed income where certain specified documents and details are not furnished along with such estimate. In this respect the Bill provide for

Presently where the taxpayer fails to provide turnover or the turnover for the quarter is not known, it shall be taken to be one-fourth of one hundred and ten percent of the turnover of the latest tax year for which a return has been filed. The Bill proposes to increase this percentage from 110% to 120%.

- (a) Section 147 permits payments of lesser advance tax if the taxpayer estimates that his tax liability is likely to be less than the liability calculated under any other subsection of section 147.

The Bill proposes to provide for furnishing of additional information / evidence when exercised by the taxpayer and provides that where an estimate of the amount of tax payable has been filed by the taxpayer under sub-sections (6) or (6A), as the case may be, the estimate shall contain turnover for the completed quarters 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 Bill further inserts a proviso that where the Commissioner is not satisfied with the documentary evidence provided or where an estimate of the amount of tax payable is not accompanied by details mentioned in this sub-section, the Commissioner may reject the estimate after providing an opportunity of being heard to the taxpayer and the taxpayer shall pay advance tax according to the formula set out in sub-section (4).

The amendment is therefore likely to increase the level of compliance on the part of taxpayer which involve extra time and cost.

**16. Tax withholding on Imports  
Section 148 (6A) & (9)**

The Bills seeks to introduce new sub-section (6A) whereby the Board has been empowered to, by notification in the official Gazette, determine the minimum value of goods for the purpose of collection of advance tax under this section.

Accordingly negative side of this provision will be application of tax rates on value other than the value declared in the import documents

Sub-section (9) defines value of goods to mean as

- (a) in case of goods chargeable to tax at retail price under the Third Schedule of the Sales Tax Act, 1990, the retail price of such goods increased by sales tax payable in respect of the import and taxable supply of the goods; and
- (b) in case of all other goods; the value of the goods as determined under the Customs Act, 1969 (IV of 1969), as if the goods were subject to ad valorem duty increased by the custom-duty, federal excise duty and sales tax, if any, payable in respect of the import of the goods.

The Bill seeks to add one more in this behalf to amend the value of goods to mean as:

- (a) in case of goods chargeable to tax at retail price under the Third Schedule of the Sales Tax Act, 1990, the retail price of such goods increased by sales tax payable in respect of the import and taxable supply of the goods; and
- (b) in case goods other than those specified in clauses (a) and (c); the value of the goods as determined under the Customs Act, 1969 (IV of 1969), as if the goods were subject to ad valorem duty increased by the custom-duty, federal excise duty and sales tax, if any, payable in respect of the import of the goods.
- (c) minimum value as notified by the Board under subsection (6A) as if such goods were subject to ad valorem duty as increased by the custom-duty, federal excise duty and sales tax, payable in respect of the import of the goods

**17. Payment to non-resident person – Withdrawal of facility for exemption from deduction of tax from certain payments to permanent establishments of non-resident persons  
Section 152**

Currently the Commissioner is empowered to allow exemption from withholding of tax to any permanent establishment of non-resident person who receives payment for any royalty, fee for technical services and sale of goods, services and execution of contracts (as specified in section 152 (1) and 152 (2A) respectively of the Ordinance), provided tax deducted in not minimum tax under the Ordinance.

However, the Bill proposes to make amendments in the sub-section (4A) of section 152 whereby the facility for exemption from deduction of tax in respect of aforementioned payments would not be allowed. However, the Commissioner will now only be empowered to allow deduction of tax at a reduced rate.

**18. Payments for goods, services and contracts – Withdrawal of facility for exemption from deduction of tax from payments for goods, services and contracts  
Section 153**

Currently the Commissioner is empowered to allow exemption from withholding of tax to a person who receives payment for sale of goods, services and execution of contracts (as specified in section 153(1) of the Ordinance) provided tax deducted is not minimum tax under the Ordinance.

The Bill proposes to substitute sub-section (4) of section 153 with a redrafted sub-section (4) whereby the Commissioner, on application made by the recipient of a payment referred to in sub-section (1) of section 153, i.e., sale of goods, services and contracts, may allow in cases where tax deductible is not minimum any person to make the payment after deduction of tax at a reduced rate. Accordingly, the Commissioner will no longer be empowered to issue complete exemption from withholding of tax.

Further, the proposed amendment provides that:

- the certificate for withholding at reduced rate is to be issued, within fifteen days of filing of application, to a company if advance tax liability has been discharged.
- the Commissioner shall be deemed to have issued the reduced rate certificate upon the expiry of fifteen days to the aforesaid company and the certificate shall be automatically processed and issued by Iris.
- the Commissioner may modify or cancel the certificate issued automatically by Iris based on reasons to be recorded in writing after providing an opportunity of being heard.

**19. Exports – Withdrawal of Final Tax Regime for Exports of Goods by Exporter  
Section 154**

Hitherto, exports of goods are subject to final taxation at the rate of one percent of proceeds realized provided they do not opt out for the normal tax regime.

The Bill now seeks to bring those exports of goods into the normal tax regime by proposing amendments in section 154. As result of the proposed amendments;

- i) In addition to the existing tax at one percent on the proceeds realized against export of goods, advance tax at the rate of one percent shall also be deducted by the authorized dealers. Consequently, tax shall be deducted at two percent from proceeds realized against export of goods.
- ii) Existing tax being collected at the rate of 1% shall be the minimum tax on the income arising on the transactions specified in section 154, i.e., direct and indirect export of goods, whereas additional advance tax of 1% shall be adjustable against the tax liability.
- iii) Accordingly, tax on income from exports shall be calculated at normal applicable rates and in case the liability so worked out is higher than the tax deducted at source (1% which will be treated as minimum tax) and the balance amount will be payable after adjustment of advance taxes.
- iv) Existing provision allowing exporter of goods to opt out for normal tax regime is proposed to be omitted which is consequential amendment.



It seems that the Bills seeks to bring into normal tax regime the exporter of goods earning significant profits. However, the proposed amendment may be opposed by the exporters as the proposed amendment would affect cash flows and competitiveness in the international markets.

**20. Exemption or lower rate certificate – Withdrawal of Powers of Commissioner to allow exemption from deduction of tax  
Section 159**

Currently the Commissioner has power to allow exemption from deduction of tax on amounts to which Division II or III of Part V of Chapter X or Chapter XII applies, where the said amount or income of the person;

- is exempt from tax under the Ordinance; or
- is subject to tax at a rate lower than that specified in the First Schedule of the Ordinance; or
- subject to hundred percent tax credit under the Ordinance

However, the Bill proposes to withdraw the Commissioner's power of issuing exemption from withholding of tax and consequential amendment are proposed in section 159 whereby the word "exemption" is proposed to be omitted in the said section at respective places.

Accordingly, the Commissioner would not be empowered to issue certificate for exemption of withholding of tax from payments such as profit on debt, dividend, payments of goods and services, payments to non-residents etc., and exemption from collection of advance tax from imports and utilities etc. The Commissioner, however, can issue certificate of withholding of tax at lower rates.

The proposed amendment is expected to have significant impact on cash flows of Not-for-Profit Organizations, staff retirement benefit funds and other persons whose income is specifically exempt from tax such as persons involved power sector business and persons operating in special economic zones etc.

**21. Credit for tax collected or deducted – Consequential amendment to allow credit for tax collected or deducted to exporter of goods  
Section 168**

Hitherto, the exporter of goods (not opting for normal tax regime) are subject to final taxation and tax deducted at the rate of 1% from proceeds realized from export of goods is treated as full and final taxation and no tax credit is allowed for any tax collected or deducted that is a final tax under section 154 of the Ordinance.

Since the Bill proposes to bring the income from export of goods into normal tax regime, consequentially the Bill propose to omit clause (e) of sub-section (3) of section 168 of the Ordinance and accordingly exporter of goods will be allowed tax credit for tax collected under section 154 against their normal tax liability.

**22. Tax collected or deducted as a final tax - Consequential amendment to exclude exporter of goods from certain provisions relevant to final taxation  
Section 169**

Currently the exporter of goods (not opting for normal tax regime) are subject to final taxation and under sub-section (2) of Section 169;

- their income from export of goods is not chargeable to tax under any head of income in computing the taxable income of that person;
- they are not deduction under the Ordinance for any expenditure incurred in deriving the income from export of goods;
- their income is not allowed to be reduced by any deductible allowance under Part IX of Chapter III of the Ordinance
- their income from export of goods is allowed for the set off of any loss;
- their tax deducted is not allowed to be reduced by any tax credit allowed under the Ordinance;
- they are not allowed refund of the tax collected or deducted unless the tax so collected or deducted is in excess of the amount for which the taxpayer is chargeable under the Ordinance; and
- In case tax deductible has not been deducted, or short deducted, the said non-deduction or short deduction may be recovered under section 162, and all the provisions of the Ordinance shall apply accordingly.

Since the Bill proposes to withdraw final tax regime for exporter of goods and bring the income from export of goods into normal tax regime, consequentially the Bill propose to omit reference of section 154 from section 169 and above mentioned provisions would not apply to exporter of goods and they would be charged to taxa and allowed refunds and deductions, credits adjustment of losses under the Ordinance at par with other persons subject to normal taxation.

**23. Offences and penalties  
(Section 182)**

Following are penalties that have been proposed to be incorporated into Section 182 of the Ordinance as follows:

S. No.	Offences	Penalties	Section of the Ordinance to which offence 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 – 0.1% of the tax payable in respect of that tax year of default; or  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)
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)

S. No.	Offences	Penalties	Section of the Ordinance to which offence has reference
35	Any company and an association of persons who – 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; furnishes any annexure, statement or document specified in the return of income as blank or with or attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed.	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)

**24. Prosecution for non-compliance with certain statutory obligations (Section 191)**

Bill proposes that if any person fails to comply with notice of discontinued business will be treated as commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

**25. Penalty and Prosecution for Non-Compliance in Income Tax Returns by Companies and AOPs (Section 191A-New Insertion)**

A penalty has been proposed for companies (including banking companies) and Associations of Persons (AOPs) that fails to fully disclose all relevant details or information as required in the income tax return form. This includes the declaration of records and the submission of complete annexures, statements, or documents as mandated by subsection 2 of section 114 of the Ordinance.

If a company or AOP does not comply, they will face a penalty of either Rs 500,000 or 10% of the tax chargeable on their taxable income, whichever amount is higher. Additionally, such non-compliance will be considered a criminal offense, punishable upon conviction by a fine, imprisonment for up to one year, or both.

**26. Prosecution for non-registration  
(Section 191B- New Insertion)**

Failure to apply for registration as required by section 99B is considered an offense. Upon conviction, the individual may face imprisonment for up to six months, a fine, or both.

Section 99B gives the Board the authority to define special procedures designed for small traders and shopkeepers in specified cities or territories. These procedures cover aspects such as tax scope, payment, record-keeping, filing of Income Tax Returns, and assessment.

**27. Increase in Rate of Default Surcharge Due to Late Payment of Tax  
(Section 205)**

Currently, the default surcharge rate is 12% per annum, which is significantly lower than the interbank rate. The proposed bill aims to change the default surcharge rate to KIBOR plus 3% per annum.

The proposed amendment seeks to synchronize the default surcharge rate with the current prevailing interest rate in the country, currently set at 20.5%.

**28. Disclosure of information by a public servant  
(Section 216)**

A proposal has been made to authorize the National Database Registration Authority (NADRA) to receive, process, and analyze taxpayers' data to help broaden the tax base.

**29. Expanding the scope of withholding tax on the supply chain and significantly increasing the non-filer rates for distributors, dealers, wholesalers, and retailers.  
(Section 236G and 236H)**

Currently, advance tax is collected on sales to dealers, distributors, wholesalers, and retailers in specific sectors (pharmaceuticals, poultry and animal feed, edible oil and ghee, auto-parts, tyres, varnishes, chemicals, cosmetics, IT equipment, electronics, sugar, cement, iron, and steel products, fertilizers, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam). The proposed Bill aims to standardize this practice across all sectors of the economy, expanding the collection of such taxes to encompass the entire supply chain, including all distributors, wholesalers, dealers, and retailers.

**30. Period of limitation  
(Section 239)**

Cases decided by the Appellate Authorities before the Tax Laws (Amendments) Act proposes to adhere to the period of limitation outlined under sections 131 and 133 of the Income Tax Ordinance, 2001, as it stood prior to the Act coming into effect.

Before the amendments introduced by the Tax Laws (Amendment) Act, 2024, the time period for filing appeals before the Tribunal under Section 131(2)(d) was 60 days, and for filing references before the High Court under Section 133(1), it was 90 days.

**THE FIRST SCHEDULE**  
**Rates of Tax**  
**Part I**

**Division I**

**Rates of Tax for Non- Salaried Individuals and Association of Persons**

The Finance Bill proposes revisions in the tax slab rates for salaried individuals, non-salaried individuals, and Associations of Persons (AOPs).

- Salaried individuals - the maximum rate is maintained at 35%, with adjustments within different slabs.
- Non-salaried individuals and AOPs, the maximum rate has been increased from 35% to 45%.

A comparison of existing and proposed tax rates is given below

S.No	Existing		Proposed	
	Income Slabs	Rate of Tax	Income Slabs	Rate of Tax
1	Where taxable income does not exceed Rs. 600,000	0%	Where taxable income does not exceed Rs. 600,000	0%
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	7.5% of the amount exceeding Rs. 600,000	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	15% of the amount exceeding Rs. 600,000
3	Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 15,000 plus 15% of the amount exceeding Rs. 800,000	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,600,000	Rs. 90,000 plus 20% of the amount exceeding Rs. 1,200,000
4	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 75,000 plus 20% of the amount exceeding Rs. 1,200,000	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
5	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 315,000 plus 25% of the amount exceeding Rs. 2,400,000	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
6	Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 465,000 plus 30% of the amount exceeding Rs. 3,000,000	Where taxable income exceeds Rs. 5,600,000	Rs. 1,610,000 + 45% of the amount exceeding Rs. 5,600,000
7	Where taxable income exceeds Rs. 4,000,000	Rs. 765,000 plus 35% of the amount exceeding Rs. 4,000,000		

## SALARIED INDIVIDUALS PROPOSED RATES

S.No.	Taxable Income	Proposed Rates
1	Where taxable income does not exceed Rs. 600,000/-	0%
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% 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. 30,000 + 15% 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. 180,000 + 25% 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. 430,000 + 30% of the amount exceeding Rs. 3,200,000
6	Where taxable income exceeds Rs. 4,100,000	Rs. 700,000 + 35% of the amount exceeding Rs. 4,100,000”;

## Capital Gain on Disposal of Securities

Currently, the tax rates on capital gains from the sale of listed shares and other securities are determined based on the holding period. The Bill proposes that for securities acquired on or after July 1, 2024, capital gains tax will be charged at 15% for individuals listed on the Active Taxpayer List (ATL). For those not appearing on the ATL, capital gains will be taxed at regular rates, with a minimum rate of 15%.

Capital gains on the securities acquired on or after July 1, 2024 are proposed to be taxed as under:

	Existing	Proposed	
		Rate of Tax on disposal of securities acquired between 1st day of July, 2022 and 30th June, 2024 (both dates inclusive)	Rate of Tax on disposal of securities acquired on or after 1st day of July, 2024

			Filer	Non-Filer
Where the holding period less than one year	15%	15%	15%	Taxed under Normal Tax Regime however the applicable tax rate / tax withholding rate will not be less than 15%.
Where the holding period exceeds one year but does not exceed two years	12.50%	12.50%		
Where the holding period exceeds two years but does not exceed three years	10%	10%		
Where the holding period exceeds three years but does not exceed four years	7.5%	7.5%		
Where the holding period exceeds four years but does not exceed five years	5%	5%		
Where the holding period exceeds five years but does not exceed six years	2.5%	2.5%		
Where the holding period exceeds six years	0%	0%		
Future Commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	5%	5%	5%

- The rate of 0% tax shall be charged on capital gain arising on disposal where the securities are acquired before the first day of July, 2013.

#### **INCREASE TAX RATE ON CAPITAL GAIN ON INVESTMENT IN MUTUAL FUND AND REIT SCHEME**

Category	Existing	Proposed Rate
Individual and association of persons	10% for stock funds 10% for other funds	15% for stock funds 15% for other funds
Company	10% for stock funds 25% for other funds:	15% for stock funds 25% for other funds:

- Provided also that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 20%:
- Currently, no tax on capital gains is to be deducted, if the holding period of the security is more than six years from the date of securities acquired. This concession is now proposed to be restricted to only those securities which are acquired on or before 30th day of June 2024.



## Capital Gains Tax on Immovable Property

Currently, capital gains from the disposal of immovable property are taxed at varying rates up to 15%, depending on the holding period and the type of property (open plots, constructed property, and flats). Properties disposed of after a specified holding period are subject to a 0% tax rate. There is no change in the capital gains tax regime for properties acquired before July 1, 2024.

For properties acquired on or after July 1, 2024, a flat rate of 15% is proposed on gains from the disposal of immovable property for individuals listed on the Active Taxpayer List (ATL) at the time of disposal, regardless of the holding period. For those not on the ATL, normal tax rates depending upon the category of the taxpayer, will apply, with a minimum tax rate of 15%.

### Increase in dividend tax rates:

The bill has proposed to increase the tax rate on dividends received from mutual funds deriving 50% or more income from profit on debt.

Existing	Proposed
15% in mutual funds, Real Estate Investment Trusts and cases other than those mentioned in clauses (a), (c) and (d);	(b) 15% in the case of mutual funds, Real Estate Investment Trusts and cases other than those mentioned in clauses (a), (c) and (d):  Provided that the rate of tax on dividend received from mutual funds deriving fifty percent or more income from profit on debt shall be 25%.

As a result of the proposed amendment, the tax rate on dividends received from mutual funds that earn 50% or more of their income from profit on debt, including money market and income funds, will increase from 15% to 25%.

### Payments for Goods and Services

The Finance bill has proposed amendment, the withholding tax rates on payments for toll manufacturing will be streamlined with the tax rates prescribed for services.

Existing	Proposed
(b) In the case of sale of goods including toll manufacturing:  (i) in case of a company, 5% of the gross amount payable, and  (ii) in any other case, 5.5% of the gross amount payable.	(b) In the case of sale of goods including toll manufacturing  (i) in case of a company, 9% of the gross amount payable for toll manufacturing and 5% of the gross amount payable in case other than toll manufacturing; and  (ii) in case other than a company, 11% of the gross amount payable for toll manufacturing and 5.5% of the gross amount payable in other than toll manufacturing .

### **Advance tax on Exports**

The Bill proposes the introduction of a new clause (2A) to Division IV, stipulating that an advance tax rate of 1% will be collected on export proceeds, in addition to existing 1% tax deduction, which will be treated as minimum tax.

Consequently, exporters of goods will be required to pay a total tax of 2% (1% minimum tax + 1% advance tax) when export proceeds are realized from export sales. The 1% advance tax collected will be adjustable against the normal tax liability for that tax year.

### **Withholding Tax Rates for Telephone and Internet Users**

The withholding tax rate for persons listed in the general order is proposed to increase from 15% to 75% of the amount of the bill, sale price of internet prepaid cards, prepaid telephone cards, or sale of units to any electronic medium.

This means that even if a person files their income tax return and their mobile connection is restored according to the process outlined in the general order, they will still be subject to the enhanced withholding tax until their name is officially removed from the list.

### **Advance tax on private motor vehicles**

In accordance with Section 231B of the Income Tax Ordinance 2001 provides framework for collection of advance tax at the time of registration, transfer and sale of private motor vehicles which was based on engine capacity is upto 2,000 cc. For motor vehicles, having engine capacity more than 2000 cc, advance tax is collected on the value of the motor vehicle.

The Bill proposes collection of advance tax in respect of motor vehicle based on value regardless of engine capacity.

<b>S. No.</b>	<b>Engine capacity</b>	<b>Existing Rate</b>	<b>Proposed Rate of Tax</b>
1.	Upto 850 cc	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 sale or transfer of Immoveable property

Advance tax collected on the sale or transfer of immovable property based on the gross amount of consideration received has been proposed to increase in the finance bill. The comparison of the existing and proposed provisions is as follows

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

### Advance tax on purchase of Immoveable property

Advance tax collected on the purchase of immovable property based on the fair market value has been proposed to increase in the finance bill. The comparison of the existing and proposed provisions is as follows.

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

## THE SECOND SCHEDULE

### Clause 102A Removed

The Bill proposes to remove Clause 102A “ Income of a person as represents a subsidy granted to him by the Federal Government for the purposes of implementation of any orders of the Federal Government in this behalf.” Henceforth any subsidy granted by the Federal Government will be chargeable to tax.

## **Extension in exemption of Income of resident of Tribal Area (Clause 145a)**

The Bill proposes to extend exemption on income of the captioned individuals domiciled, company and association of persons resident in the Tribal Area of KPK and Baluchistan, which was expiring on 30 June, 2024 to 30th June 2025.

This exemption has created competition issue with the country's organized corporate sector particularly steel and food manufacturers (Oil and Ghee) and it was demanded that this exemption should be done away with, however it has been extended.

## **Reduction in Tax Rates**

### **Reduction in income tax payable by cigarette distributors**

Under the current law, the tax rate specified in clause (a) of sub-section (1) of section 153 for distributors of cigarettes and pharmaceutical products is 1% of the gross amount of payments. The Bill proposes to increase the income tax withholding rate for cigarette distributors from 1% to 2.5% of the gross amount of payment.

However, the withholding tax rate for distributors of pharmaceutical products have been kept unchanged at 1% as per the proposed amendment.

## **Part III**

## **Reduction in Tax Liability**

### **Withdrawal of tax credit to full-time Teachers and Researchers**

Under the existing provision, full-time teachers or researchers employed in non-profit educational institutions (including Government research institutions) recognized by HEC benefit from a 25% reduction in the tax payable on their salary income. The Bill proposes to remove this clause, thereby eliminating the tax reduction.

The proposed amendment of tax benefit to educators likely to cause brain drain in the country.

## **Part IV**

## **Exemption from Specific Provisions**

### **Extension of exemption to former FATA and PATA region**

**[Clause 109A & 110]**

The Ordinance currently grants exemptions from withholding tax on payments specified under Division III, Part V of Chapter X to individuals domiciled in the Tribal Areas forming part of Khyber Pakhtunkhwa and Baluchistan, and to companies and associations of persons resident there, whose income was not taxable before the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018). This exemption applies from June 1, 2018, to June 30, 2023.

The exemption period was extended by one year until June 30, 2024, through the Finance Act 2023. The Bill now proposes to further extend the exemption period until June 30, 2025.

This exemption from tax withholding has created competition issue with the country's organized corporate sector particularly steel and food manufacturers (Oil and Ghee) and it was demanded that this exemption should be done away with, however it has been extended.

## **SEVENTH SCHEDULE**

### **Rule 1 Sub-rule (d)**

The Bill seeks to restrict the allowable deductions for bad debts” classified as “loss” pertaining to non-performing assets under the Prudential Regulations issued by the SBP.

Accordingly, the Bill seeks to disallow the amount of ‘bad debts’ which are classified as ‘sub-standard’ and ‘doubtful’ under the Prudential Regulations of SBP, or any provision for advances, off-balance sheet items or any other financial asset classified in Stage I, II or III of the Expected Credit Loss (ECL) model under IFRS 9 or any other provision against performing, under-performing or non-performing assets recorded under any applicable accounting standard including IFRS 9. The applications of IFRS 9 has mandated to be effective from January 1, 2024.

### **Rule 1 sub-rule (da)**

The Bill proposes to insert the new sub-rule whereby it seeks to clarify that:

“Provisions or Expected Credit Loss for Advances and off-balance sheet items or any other financial asset existing before or after January 1, 2024 under IFRS 9 shall not be allowed as an expense or deduction for banking companies.”

### **Rule 1 sub-rule (g)**

The Bill aims to broaden the scope and application from international accounting standards 39 and 40 to **any applicable accounting standard or policy or any guidelines or instructions of State Bank of Pakistan.**

As a result of this amendment, the claim of certain provisions will be dealt in accordance therewith.

### **Super Tax Rule (7CA)**

The Bill seeks to provide the explanation to remove the doubt of applicability of super tax. Wherein, clarified the levy of super tax are applicable for the tax year 2023 and for all subsequent tax years.

## **TENTH SCHEDULE**

Change in advance tax rates for person not appearing in ATL as follows;

<b>Sr. #</b>	<b>Amount</b>	<b>Old Rate for Non ATL</b>	<b>New Rates for Non ATL</b>
1	Section 151 – on yield or profit on debt	30%	35%
2	Section 236G – other than fertilizers	0.2%	2%
3	Section 236H – on retailers	1%	2.5%

**Advance tax on sale or transfer of immovable property – Section 236C**  
**Advance tax on purchase of immovable property – Section 236K**

Previously, advance tax on the sale or transfer of immovable property collected under sections 236C and 236K was 3% respectively. The proposed bill suggests collecting advance tax according to the following slabs:

Sr. #	Amount	Tax Rates for ATL
1	Where the gross amount does not exceed Rs. 50 million	3%
2	Where the gross amount exceeds Rs. 50 million but does not exceed Rs. 100 million	3.5%
3	Where the gross amount exceeds Rs. 100 million	4%

Previously tax rate of 6% on the sale of property and 10.5% on the purchase of property for individuals not appearing on the Active Taxpayers List (ATL) is now proposed to be changed as follows:

Sr. #	Amount	Tax Rates 236k for Non ATL	Tax Rates 236K for ATL but late filer	Tax Rates 236C for Non ATL	Tax Rates 236C for ATL but late filer
1	Where the gross amount does not exceed Rs. 50 million	12%	6%	10%	6%
2	Where the gross amount exceeds Rs. 50 million but does not exceed Rs. 100 million	16%	7%		7%
3	Where the gross amount exceeds Rs. 100 million	20%	8%		8%

**Exclusions from the Tenth Schedule**

With regard to capital gains on the sale of listed shares and other securities under section 37A, the proposal includes these transactions in the 'exception list' (Rule 10(y)). Consequently, the persons earning capital gain on sale of listed shares shall henceforth be liable for tax under Normal Tax Regime depending upon their status, however the applicable tax rate / tax withholding rate will not be less than 15%.

**COMMENTS ON AMENDMENTS PROPOSED VIDE FINANCE BILL 2024  
IN THE SALES TAX ACT, 1990 - EFFECTIVE FROM JULY 01, 2024,  
EXCEPT PROVIDED OTHERWISE**

**1. DEFINATION**

**1.1 Associates (associated person) [Section 2 (3)]**

The Bill proposes to substitute the existing definition of “associates (associated person)” and now has same meaning as provided in Income Tax Ordinance 2001.

After amendment the definition of ““associates (associated person)” shall be read as follows:

“(3) “associates (associated persons)” shall have the same meaning as defined in sub-section (1) of section 85 of the Income Tax Ordinance, 2001(XLIX of 2001).

**1.2 Board [Section 2 (4)]**

In clause (4), the term “Board” has been defined as under:

(4) “Board” means the Federal Board of Revenue established under section 3 of the Federal Board of Revenue Act, 2007;

The Bill proposes to substitute clause (4) to harmonized term Board with Income Tax Ordinance, 2001.

After substitution, clause (4) shall read as follows:

(4) “Board” shall have the same meaning as defined under clause (8) of section 2 of the Income Tax Ordinance, 2001 (XLIX of 2001);

**1.3 Investigative audit [ Section 2(14A)]**

The expression “KIBOR” has been defined in clause (14A). The Bill proposes that the existing clause (14A) shall be re-numbered as clause (14B) and for existing clause (14A), following shall be substituted

(14A) “investigative audit” means investigative audit under section 25A of this Act.”

**1.4 licensed integrator [ Section 2(15A)]**

The Bill proposes to insert a new clause (15A) which shall define the term “licensed integrator” as under

“licensed integrator” means any person licensed by the Board to provide electronic invoicing system for integration of registered persons in the prescribed manner.

## 1.6 “Tax Fraud”

[ Section 2(37)]

The terms “Tax fraud” has been defined in clause (37) as under:

(37) “tax fraud” means knowingly, dishonestly or fraudulently and without any lawful excuse (burden of proof of which excuse shall be upon the accused) –

- (i) doing of any act or causing to do any act; or
- (ii) omitting to take any action or causing the omission to take any action, including the making of taxable supplies without getting registration under this Act; or
- (iii) falsifying or causing falsification of the sales tax invoices

in contravention of duties or obligations imposed under this Act or rules or instructions issued thereunder with the intention of understating the tax liability or underpaying the tax liability for two consecutive tax periods or overstating the entitlement to tax credit or tax refund to cause loss of tax;

Now the Bill proposes to enhance the scope of tax fraud therefore clause (37) substituted. After substitution, clause (37) shall read as under:

(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 or receipts that are chargeable to tax under this Act;
- (b) false claim of input tax credit;
- (c) making taxable supplies of goods without issuing any tax invoice, in violation of the provisions of this Act or the rules made thereunder;
- (d) issuance of any tax invoice without supply of goods leading to inadmissible claim of input tax credit or refund;
- (e) evasion of tax by availing undue input tax credit or obtaining inadmissible refund by any means or methods other than that covered under clauses (a) to (d);
- (f) collection of any amount as tax but failing to deposit the same in the prescribed manner beyond a period of three months from due date of payment of tax;
- (g) falsification or substitution of financial records or production of fake accounts or documents or furnishing of any false information through human, mechanical or electronic means with an intention to evade tax due or claim inadmissible refund;
- (h) tampering with or destroying of any material evidence or documents required to be maintained under this Act or the rules made thereunder through human or digital means; or



(i) acquisition, possession, transportation, disposal or in any way removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner dealing with, any goods in respect of which there are reasons to believe that these are liable to confiscation under this Act or the rules made thereunder.

Explanation Any act or omission mentioned 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.

## **1.7 Time of Supply [ Section 2(44)]**

Before amendment in the definition of “time of supply” through Finance Act, 2021, sales tax was leviable at the time of earlier of “receipt of payment” or “delivery of goods”. Such mechanism of levy of sales tax was done away with through the Finance Act, 2021 with sales tax made leviable at the time of delivery of goods. The Bill now proposes to revert to the position applicable prior to amendment vide Finance Act, 2021. Now clause (44) is proposed to be amended, which after amendment, as proposed, shall be read as under:

(44) “time of supply”, in relation to-----

- (a) a supply of goods, other than under hire purchase agreement, means the time at which the goods are delivered or made available to the recipient of the supply or the time when any payment is received by the supplier in respect of that supply, whichever is earlier” ;
- (b) a supply of goods under a hire purchase agreement, means the time at which the agreement is entered into; and
- (c) services, means the time at which the services are rendered or provided;

Provided that in respect of sub clause (a) ,(b) or (c), where any part payment is received, –

- (i) for the supply in a tax period, it shall be accounted for in the return for that tax period; and
- (ii) in respect of exempt supply, it shall be accounted for in the return for the tax period during which the exemption is withdrawn from such supply ;

## **1.8 “Value of Supply” [ Section 2(46)]**

Under the provisions of section 2(46), Board is empowered to fix the ‘value of supply’ of any imported or local goods. The Bill now proposes that such power shall also be available to Board with respect to fixation of value of imported goods specified in Third Schedule.

The terms “value of supply” after amendment, as proposed, shall read as under:

(46) “value of supply” means:--

(a) in respect of a taxable supply, the consideration in money including all Federal and Provincial duties and taxes, if any, which the supplier receives from the recipient for that supply but excluding the amount of tax:

Provided that –

- (i) in case the consideration for a supply is in kind or is partly in kind and partly in money, the value of the supply shall mean the open market price of the supply excluding the amount of tax;
  - (ii) in case the supplier and recipient are associated persons and the supply is made for no consideration or for a consideration which is lower than the open market price, the value of supply shall mean the open market price of the supply excluding the amount of tax; and
  - (iii) in case a taxable supply is made to a consumer from general public on installment basis on a price inclusive of mark up or surcharge rendering it higher than open market price, the value of supply shall mean the open market price of the supply excluding the amount of tax.
- (b) in case of trade discounts, the discounted price excluding the amount of tax; provided the tax invoice shows the discounted price and the related tax and the discount allowed is in conformity with the normal business practices;
- (c) in case where for any special nature of transaction it is difficult to ascertain the value of a supply, the open market price;
- (d) in case of imported goods excluding those as specified in the Third Schedule, the value determined under section 25 of the Customs Act, including the amount of customs duties and federal excise duty levied thereon;
- (e) in case where there is sufficient reason to believe that the value of a supply has not been correctly declared in the invoice, the value determined by the Valuation Committee comprising representatives of trade and the Inland Revenue constituted by the Commissioner;
- (f) in case of manufacture of goods belonging to another person, the actual consideration received by the manufacturer for the value addition carried out in relation to such goods;
- (g) in case of a taxable supply, with reference to retail tax, the price of taxable goods excluding the amount of retail tax, which a supplier will charge at the time of making taxable supply by him, or such other price as the Board may, by a notification in the official Gazette, specify.
- (h) in case of supply of electricity by an independent power producer or WAPDA, the amount received on account of energy purchase price only; and the amount received on account of capacity purchase price, energy purchase price premium, excess bonus, supplemental charges etc. shall not be included in the value of supply;

(i) in case of supply of electric power and gas by a distribution company, the total amount billed including price of electricity and natural gas, as the case may be, charges, rents, commissions and all duties and taxes local, provincial and federal but excluding the amount of late payment surcharge and the amount of sales tax;

Explanation.- It is clarified that the value of supply does not include the amount of subsidy provided by the federal government or provincial governments to the electricity or natural gas including re-gasified liquefied natural gas consumers and has never been chargeable to tax under the Act;

(j) in case of registered person who is engaged in purchasing used vehicles from general public on which sales tax had already been paid at the time of import or manufacturing, and which are, later on, sold in the open market after making certain value addition, value of supply will be the difference between sale and purchase price of the said vehicle on the basis of the valuation method prescribed by the Board.

Provided that, where the Board deems it necessary it may, by notification in the official Gazette, fix the value of any imported goods including those as specified in the Third Schedule or taxable supplies or class of supplies and for that purpose fix different values for different classes or description of same type of imported goods or supplies:

Provided further that where the value at which import or supply is made is higher than the value fixed by the Board, the value of goods shall, unless otherwise directed by the Board, be the value at which the import or supply is made;

#### **1.9 Scope of tax**

**[Section 3(11)]**

Sub-section (11) was inserted in section 3 through Finance Act, 2022 which reads as under:

(11) Notwithstanding anything contained in the Act, the Board through Notification in the official Gazette, may require class of persons to integrate their invoice issuing machines with the Board's Computerized System for real time reporting of sales in such mode and manner and from such date as may be prescribed.

The Bill proposes to omit the aforesaid sub-section (11).

#### **1.10 Assessment of tax and recovery of tax not levied or short levied or erroneously refunded.**

**[ Section 11 ]**

A comprehensive procedure has been prescribed for recovery of any tax or charge which has not been levied or made or has been short levied or has been erroneously refunded. The Bill proposes to omit section 11. The provisions related to assessment and recovery of sales tax as had been prescribed in the omitted section 11 have been transposed in new sections 11E, 11F, 11G which have been proposed to be inserted.

## 1.11 Assessment giving effect to an order

[ Section 11B]

Section 11B was added through Finance Act, 2018 and it has been prescribed therein that where, in consequence of, or to give effect to, any findings or directions in any order by Commissioner Appeals or ATIR, High Court or Supreme Court, an order of assessment of tax is to be issued, CIR or an officer of Inland Revenue empowered in this behalf, shall issue appeal effect order within one year from the end of financial year.

The Bill proposes to substitute section 11B.

The substituted provisions, as proposes, shall read as under:

**11B. Limitation for issuing orders in certain cases.**— For the purposes of issuing an assessment order or any other order in consequence of or to give effect to any order made by the Commissioner (Appeals), Appellate Tribunal, High Court, or Supreme Court, the provisions of section 124 of the Income Tax ordinance, 2001 (XLIX of 2001) shall apply mutatis mutandis.

## 1.12 Best judgment Assessment

[ Section 11D]

The Bill proposes to insert a new section 11D which shall read as follows:

11D Best judgment Assessment (1) Where a person,

- (a) fails to furnish a sales tax return in response to notice under subsection (2A) of section 26; or
- (b) fails to produce before the Officer of Inland Revenue not below the rank of Assistant Commissioner under section 25 or 38A, accounts, documents and records required, or any other relevant document or evidence that may be required by him, the officer of Inland Revenue not below the rank of Assistant Commissioner may, after a notice to show cause to such person, based on any available information or material and to the best of his judgment, make an assessment of tax payable or refund due and also charge penalty and default surcharge.

(2) For the purposes of clause (b) of sub section (1), the officer of Inland Revenue may also disallow or reduce a taxpayer's input tax on goods or services if the taxpayer is unable, to provide invoice or other record or evidence of the transaction or circumstances giving rise to such claim.

(3) Where a best judgment assessment has been made due to default of clause (a) of sub-section (1) and the person files the return thereafter and pays the amount of tax payable along with default surcharge and penalty, the notice to show cause and the order of assessment shall abate.

(4) Notwithstanding anything in sub-section (1), where the Federal Board of Revenue has specified conditions for the purpose of determination of minimum tax liability in respect of a person who is required to file return but who fails to file such return, the Officer of Inland Revenue shall determine such liability of the registered person in accordance thereof.

**11.13 Assessment of Tax and Recovery of tax not levied or short levied or erroneously refunded** [ Section 11E]

The Bill proposes to insert a new section 11E which shall read as follows:

11E. Assessment of Tax and Recovery of tax not levied or short levied or erroneously refunded.- (1) Where due to any reason any tax or charge has not been levied or short levied or where the officer of Inland Revenue not below the rank of Assistant Commissioner suspects on the basis of audit or otherwise that due to any reason a person has;

- (a) not paid or short paid due sales tax;
- (b) claimed input tax credit or refund which is not admissible; or
- (c) has obtained an amount of refund not due,

the officer of Inland Revenue after issuing a show cause notice to the person shall pass an order to determine and recover the amount of tax unpaid or short paid, inadmissible input tax or refund, or unlawful refund obtained and shall also impose penalty and default surcharge in accordance with sections 33 and 34.

(2) For the purposes of sub-section (1), the officer of Inland Revenue may also disallow input tax on goods or services if the taxpayer is unable, without reasonable cause, to provide a receipt, or invoice or other record or evidence of the transaction or circumstances giving rise to such claim.

(3) Where a tax or charge has not been levied under clause (a) of subsection (1), the amount of tax shall be recovered as tax fraction of the value of supply.

**1.14 Failure to withhold sales tax** [ Section 11F]

The Bill proposes to insert a new section 11F which shall read as under:

11F. Failure to withhold sales tax : Where any person, required to withhold sales tax under sub-section (7) of section 3, fails to withhold the tax or having withheld the tax fails to deposit the same in the prescribed manner, the officer of Inland Revenue not below the rank of Assistant Commissioner shall after a notice to such person to show cause pass an order to determine and recover the amount in default and impose penalty and default surcharge under section 33 and 34.

**1.15 Limitation for Assessment** [ Section 11G]

The Bill proposes to insert a new section 11G which shall read as under:

11G. Limitation for Assessment.— (1) 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.

(2) 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 subsection.

(3) For the purpose of sections 11D, 11E and 11F, the words “relevant date” means—

- (a) the time of payment of sales tax or charge as provided under section 6;
- (b) the time of payment for goods or services on which sales tax was to be withheld under sub-section (7) of section 3; and
- (c) in a case where sales tax or charge has been erroneously refunded, the date of its refund.”

### **1.16 De-registration, blacklisting and suspension of registration [ Section 21(2), 21(5)]**

The provisions of section 21 of the Act empower the Commissioner to blacklist or suspend a taxpayer in cases involving issuance of fake invoices or commission of tax fraud. At present, such action by Commissioner is appealable before the Appellate Tribunal. The Bill now proposes to empower the Chief Commissioner to examine the blacklisting order passed by Commissioner under section 21(2) and modify the same, if need be. Such an action may be proceeded with by the Chief Commissioner on his own motion or on the basis of application made by taxpayer. Corresponding amendments to this effect have also been proposed in provisions governing filing of appeals before Tribunal.

The Bill proposes to substitute words “blacklist” with words” issue an order of blacking” in sub section (2) and proposed to inserted new sub section (5) as

“(5) Notwithstanding anything contained in this Act, the Chief Commissioner may, either of his own motion or on application made by the registered person call for and examine the record of proceedings and the order of blacklisting under sub-section (2) and after making such inquiry as is necessary, may modify the such order as he may deem fit:

Provided that no order under this sub-section shall be passed unless an opportunity of being heard has been provided to the registered person.”

After the proposed amendments in section 21, it shall read as follows:

21. De-registration, blacklisting and suspension of registration”– (1) The Board or any officer, authorized in this behalf, may subject to the rules, de-register a registered person or such class of registered persons not required to be registered under this Act.

(2) Notwithstanding anything contained in this Act, in cases where the Commissioner is satisfied that a registered person is found to have issued fake invoices or has otherwise committed tax fraud, he may issue an order of blacklisting such person or suspend his registration in accordance with such procedure as the Board may by notification in the official Gazette, prescribe.

(3) During the period of suspension of registration, the invoices issued by such person shall not be entertained for the purposes of sales Tax refund or input tax credit, and once such person is black listed, the refund or input tax credit claimed against the invoices issued by him, whether prior or after such black listing, shall be rejected through a self-speaking appealable order and after affording an opportunity of being heard to such person.

(4) Notwithstanding anything contained in this Act, where the Board, the concerned Commissioner or any officer authorized by the Board in this behalf has reasons to believe that a registered person is engaged in issuing fake or flying invoices, claiming fraudulent input tax or refunds, does not physically exist or conduct actual business, or is committing any other fraudulent activity, the Board, concerned Commissioner or such Officer may after recording reasons in writing, block the refunds or input tax adjustments of such person and direct the concerned Commissioner having jurisdiction for further investigation and appropriate legal action.

(5) Notwithstanding anything contained in this Act, the Chief Commissioner may, either of his own motion or on application made by the registered person call for and examine the record of proceedings and the order of blacklisting under sub-section (2) and after making such inquiry as is necessary, may modify the such order as he may deem fit:

Provided that no order under this sub-section shall be passed unless an opportunity of being heard has been provided to the registered person.

#### **1.17 Tax Invoices.**

**[ Section 23(3)]**

It has been prescribed in sub-section (3) of section 23 as under

(3) A registered person making a taxable supply may, subject to such conditions, restrictions and limitations as the Board may, by notification in the official Gazette, specify, issue invoices to another registered person electronically and to the Board as well as to the Commissioner, as may be specified.

The Bill proposes to substitute sub-section (3) of section 23 which, after substitution, shall read as follows:

(3)A registered person making a taxable supply shall, subject to such conditions, restrictions and limitations as the Board may, by notification in the official Gazette, specify, issue electronic invoices.

As a result of this proposed amendment Board will obligate registered person making taxable supplies to issue electronic invoices according to the its specification through licence integrator.

#### **1.18 Access to record, documents etc.**

**[ Section 25]**

A comprehensive procedure has been prescribed in section 25 authorizing (i) the Commissioner to select the cases for audit; and (ii) an officer of Inland Revenue to conduct audit of sales tax record of a registered person.

The Bill proposes to substitute section 25.

The substituted provisions, as proposed, shall read as under:

25. Audit of sales tax affairs.- (1) The Commissioner on the basis of reasons to be recorded in writing, may direct the officer of Inland Revenue not below the rank of Assistant Commissioner to conduct audit of sales tax affairs of any registered person and issue a notice to such registered person intimating him regarding audit of sales tax affairs.

Explanation: For the removal of doubt, it is declared that the powers of the Commissioner to direct conduct of audit and to issue a notice under this subsection are independent of the powers of the Board under section 72B and nothing contained in section 72B restricts the powers of the Commissioner to direct conduct of audit and to issue notice under this sub-section.

(2) The Commissioner shall communicate the reasons recorded by the Commissioner to the registered person whose audit is to be conducted through the notice under sub-section (1).

Explanation.- For the removal of doubt, it is declared that the Commissioner may not provide an opportunity of hearing and shall pass any order before issuance of notice under sub-section (1).

(3) The reasons referred to in sub-section (1) shall be based on scrutiny by the Commissioner or any other sales tax authority of the available records including sales tax and federal excise returns, income tax returns and withholding statements, financial statements or third party information:

Provided that the reasons shall 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.

(4) Subsequent to the issuance of notice under sub-section (1), the officer of Inland Revenue, may call for any record or documents including record maintained under the Act, the rules made thereunder or any other law for the time being in force for conducting audit of the sales tax affairs of the person and where such record or documents have been kept on electronic data, the registered person shall allow access to the officer of Inland Revenue or the sales tax authority authorized by the Officer of Inland Revenue for the use of machine and software on which such data is kept and the officer of Inland Revenue or the authority may obtain duly attested hard copies of such information or data:

Provided that the Officer of Inland Revenue shall not call for record or documents of the registered person after expiry of six years from the end of the financial year to which they relate.

(5) The officer of Inland Revenue may require the person being audited to attend at his office in person or through an authorized representative or to produce, or cause to be produced such accounts, documents or any evidence as the officer of Inland Revenue may consider necessary.

(6) The officer of Inland Revenue not below the rank of Assistant Commissioner may conduct or cause to be conducted such enquiry and obtain such information from any third party as he considers appropriate.



(7) The officer of Inland Revenue not below the rank of Assistant Commissioner shall conduct audit of the sales tax affairs to verify the correctness or otherwise of the declared tax liability, output tax shown, input tax claimed, tax paid, refund claimed, stocks consumed and available and to ascertain compliance or otherwise with the provisions of this Act and the rules made thereunder on the basis of the record and evidence obtained under subsections (5) to (5B) and other documents maintained or furnished under this Act and the rules made thereunder or under any other law.

(8) The officer of Inland Revenue may conduct audit proceedings electronically through video links, or any other facility as may be prescribed by the Board.

(9) After completion of the audit, the officer of Inland Revenue may, if required pass an order under section 11E, after providing an opportunity of being heard to the taxpayer under sub-section (1) of section 11E.

(10) Notwithstanding anything contained in sub-sections (7) and (9) where a registered person fails to produce before the officer of Inland Revenue, any accounts, documents and records required to be maintained under this Act or the rules made thereunder or any other relevant document electronically kept record, electronic machine or any other evidence that may be required by the officer of Inland Revenue for the purpose of audit. The officer of Inland Revenue may proceed to make best judgment assessment under section 11D of this Act.

(11) Where during the course of audit the officer of Inland Revenue suspects that such person is involved in tax fraud, he may with the approval of Commissioner, conduct an investigative audit under section 25AB.

(12) Notwithstanding the penalties prescribed in section 33, if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with default surcharge voluntarily, whenever it comes to his notice, before receipt of notice of audit, no penalty shall be recovered from him:

Provided that if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with default surcharge during the audit, or at any time before issuance of show cause notice under section 11E, he may deposit the evaded amount of tax, default surcharge under section 34, and twenty five per cent of the penalty payable under section 33:

Provided further that if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with default surcharge after issuance of show cause notice under section 11E, he shall deposit the evaded amount of tax, default surcharge under section 34, and full amount of the penalty payable under section 33 and thereafter, the show cause notice, shall stand abated.

### **1.19 Investigative audit**

**[ Section 25AB]**

The Bill proposes to insert a new section 25AB which shall read as follows:

25AB. Investigative Audit.- (1) Where on the basis of information from audit as provided in sub-section (11) of section 25, or otherwise, the officer of Inland Revenue not below the rank of Assistant Commissioner, on the balance of probabilities, suspects that a registered person is involved in tax fraud, he may with the prior approval of the Commissioner in writing, initiate investigative audit against such person.

(2) The officer of Inland Revenue shall conduct investigative audit under sub-section (1) on the basis of the record and evidence obtained under sections 37, 37A, 38, 38A, 38B and 40 within ninety days of the initiation of the investigative audit.

(3) After completion of investigative audit the officer of Inland Revenue may take one or more of the following actions:

(a) pass an order under section 11E, after providing an opportunity of being heard to the registered person under that section on all the issues arising from the investigative audit.—

(b) issue a best judgment assessment order under section 11D, where the registered person fails to produce, any accounts, documents records or evidence or any other relevant document that may be required by the officer of Inland Revenue;

(c) black list the registered person under section 21; and

(d) impose penalty and cause prosecution of the registered person as provided against Serial. No. 13 of the Table in section 33.

(4) For the purposes of clause (a) and (b) of sub-section (3), the officer of Inland Revenue may disallow input tax on goods or services, if the registered person is unable, without reasonable cause, to provide a receipt, or invoice or other record or evidence of the transaction or circumstances giving rise to such claim.

## **1.20 Returns**

**[ Section 26(2A)]**

Sub-section (2) of section 26 was omitted through Finance Act, 2016.

The Bill proposes to insert a new sub-section (2A) after omitted sub-section (2) which shall read as under:

(2A) The officer of Inland Revenue may, by notice in writing, require any person who, in his opinion, is required to file a return under this section for a tax period or tax periods but who has failed to do so, to furnish the return or returns within fifteen days from the date of service of such notice or such longer or shorter period as may be specified in such notice or as the officer of Inland Revenue may allow:

Provided that the notice under this sub-section shall only be issued within fifteen years from the end of the financial year in which the return was to be filed, in cases of tax fraud and five years in all other cases.

## **1.21 Offences and penalties**

**[ Section 33]**

The existing section 33 does not contain sub-sections. The Bill proposes that after the marginal heading, the expression (1) shall be added.

The existing provisions of section 33 shall be read as sub section (1) thereof.

The Bill proposes to substitute the entry in column (2) against Sr. No. 11. In terms of the substituted provisions as proposed, 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 or issues or uses a document which is forged or false.

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 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.

The Bill proposes to substitute the entry in column (2) against Sr. No. 13. In terms of the substituted provisions as proposed, 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 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 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.

The Bill proposes to make amendments in column (2) against Sr. No. 23. In terms of the amendments, as proposed, Any person who manufactures, possesses, transports, distributes, stores or sells goods or class of goods as specified by the Board under subsection (1) of section 40C with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax stamps, banderoles, stickers, labels or barcodes.

(i) Such specified goods shall be liable to outright confiscation as may be prescribed. Any person committing the offence shall pay a penalty of twenty-five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to three years, or with additional fine

which may extend to an amount equal to the loss of tax involved, or with both. (ii) In case of transport of specified goods with counterfeited tax stamps, banderoles, stickers, labels or barcodes, or without tax stamps, banderoles, stickers, labels or barcodes, permanent seizure of the vehicle used for transportation of non-conforming or counterfeit [specified goods]; and (iii) In case of repeat sale of specified goods without or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the premises used for such sale shall be liable to be sealed by an officer of Inland Revenue in the manner as may be prescribed.

The Bill proposes to make amendments in column (2) against Sr. No. 25. In terms of the amendments, as proposed, Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required under law.

Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of two months after imposition of penalty as aforesaid, his business shall be liable to be sealed by an officer of Inland Revenue in the manner as may be prescribed.

The Bill proposes to make amendments in entry against Sr. No. 25A. In terms of the amendments, as proposed, A person required to integrate his business as stipulated under sub-section (9A) of section 3 or sub-section (4) of section 40C, who fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required under the law and rules made thereunder in contravention of sub-section (9A) of section 3 and sub-section (4) of section 40C, Such person shall be liable to pay: (i) penalty of five hundred thousand rupees for first default; (ii) penalty of one million rupees for second default after fifteen days of order for first default; (iii) penalty of two million rupees for third default after fifteen days of order for second default; (iv) penalty of three million rupees for fourth default after fifteen days of order for third default: Notwithstanding above, the business premises of such person shall be liable to be sealed by an officer of Inland Revenue in the manner prescribed: Provided that if the retailer integrates his business with the Board's Computerized System before imposition of penalty for second default, penalty for first default shall be waived by the Commissioner.

The Bill proposes to insert a new Sr. No. 25AA which shall prescribe that 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 in contravention of sub-section (5) of section 40C, 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.

The Bill proposes to make amendment in entry in Sr. No. 26 and in terms of amended provisions as proposed, Any person, being a manufacturer or importer of an item which is subject to tax on the basis of retail price, who fails to print the retail price in the manner as stipulated under the Act, Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher: Further, such goods shall also be liable to confiscation as may be prescribed. However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than twenty percent of the total retail price of such goods.

The proposes to make amendment in entry in Sr. No. 27 and in terms of amended provisions as proposed, Any person, being owner of the goods, which are brought to Pakistan in violation of section 40D, Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher: Further, such goods shall also be liable to confiscation as may be prescribed. However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than twenty percent of value, or retail price in case of items falling in Third Schedule, of such goods.

The Bill proposes to add a new sub-section (2) in section 33 which shall prescribe that Notwithstanding anything contained in the Code of Criminal Procedure 1898 (Act V of 1898), the offences under this Act, whose punishment may extend upto ten years.

#### **1.22 Default surcharge**

**[ Section 34(1)(a)]**

The Bill proposes to increase the rate of default surcharge in line with normal bank loans so that taxpayers cannot take advantage of lower rate by delaying outstanding sales tax liability. Accordingly the Bill proposes to substitute the word “twelve” with the words “ KIBOR plus three” in clause (a) in sub section (1) of section 34.

The provisions of section 34(1)(a) after amendment, as proposed, shall read as under:

34. Default Surcharge.— (1) Notwithstanding the provisions of section 11, if a registered person does not pay the tax due or any part thereof, whether willfully or otherwise, in time or in the manner specified under this Act, rules or notifications issued thereunder or claims a tax credit, refund or makes an adjustment which is not admissible to him, or incorrectly applies the rate of zero per cent to supplies made by him, he shall, in addition to the tax due, pay default surcharge at the rate mentioned below:—

(a) the person liable to pay any amount of tax or charge or the amount of refund erroneously made, shall pay default surcharge at the rate of KIBOR plus three per cent per annum, of the amount of tax due or the amount of refund erroneously made;

#### **1.23 Monitoring or Tracking by Electronic or other means**

**[ Section 40C(4)(5) ]**

The Bill proposes to add two new sub-sections i.e. (4) and (5).

After addition of two new sub-sections, as proposes by Bill, section 40C shall read as under:

40C. Monitoring or Tracking by Electronic or other means.— (1) Subject to such conditions, restrictions, and procedures, as it may being fit to impose or specified, the Board may, by notification in the official Gazette, specify any registered person or class of registered persons or any good or class of goods in respect of which monitoring or tracking of production, sales, clearances, stocks or any other related activity may be implemented through electronic or other means as may be prescribed.

(2) From such date as may be prescribed by the Board, no taxable goods shall be removed or sold by the manufacturer or any other person without affixing tax stamp, band role stickers, labels, barcodes, etc. in any such form, style and manner as may be prescribed by the Board in this behalf.

(3) Such tax stamps, banderols, stickers, labels, barcodes etc., shall be acquired by the registered person referred to in sub-section (2) from a licensee appointed by the Board for the purpose, against price approved by the Board, which shall include the cost of equipment installed by such licensee in the premises of the said registered person.

(4) Notwithstanding anything contained in this Act, the Board through notification in the official Gazette, may require any person or class of persons to integrate their electronic invoicing system with the Board's Computerized System for real time reporting of sales in such mode and manner and from such date as may be specified therein; and

(5) Licensed integrator shall integrate electronic invoicing system of registered persons referred to in sub-section (4) in such mode and manner as may be prescribed.

#### **1.24 Pecuniary jurisdiction in appeals**

**[ Section 43A(4) ]**

Section 43A was inserted in the Act through Tax Laws Amendment Act, 2024 effective from 03.05.2024 through which the pecuniary jurisdiction of Commissioner IR Appeals has been restricted to cases where value of assessment of tax or, as the case may be, refund of tax does not exceed Rupees Ten Million.

It has been prescribed in sub section (4) that all the cases pending before Commissioner IR Appeals having value of assessment of tax or, as the case may be, refund of tax does not exceed Rupees Ten Million, shall now and from 16th day of June 2024 stand transferred to Appellate Tribunal.

The Bill proposes to extend the cutoff date of transfer of cases to ATIR from 16.06.2024 to 16.09.2024 and this extension shall be deemed to have taken effect on and from 16.06.2024.

#### **1.25 Appeals**

**[ Section 45B(1) ]**

After amendment as proposes, sub section (1) of section 45B shall read as under:

45B. Appeals.— (1) Any person, other than the Sales Tax Department, aggrieved by any decision or order passed under sections 10, 11, 25, 36, or 66, by an officer of Inland Revenue may, within thirty days of the date of receipt of such decision or order, if the value of the assessment of tax or, as the case may be, refund of the tax does not exceed ten million rupees prefer appeal to the Commissioner Inland Revenue (Appeals):

#### **1.25 Appeals to Appellate Tribunal**

**[ Section 46(1) ]**

The Bill proposes to make a corresponding amendment in sub-section (1) by inserting words "excluding the order of blacklisting under sub section (2) of section 21 ". Since an amendment is proposed in section 21 by inserting sub-section (5) to empower the

Chief Commissioner to examine the blacklisting order passed by Commissioner under section 21(2) and modify the same, if need be. Such an action may be proceeded with by the Chief Commissioner on his own motion or on the basis of application made by taxpayer.

After amendment as proposed, sub section (1) of section 46 shall read as under:

46. Appeals to Appellate Tribunal.— (1) Subject to section 43A, any person, other than an SOE, aggrieved by any order excluding the order of blacklisting under sub section (2) of section 21 passed by an officer of Inland Revenue, or the Board or Commissioner (Appeals) under this Act or the rules made there under may, within thirty days of the receipt of such order, prefer an appeal to the Appellate Tribunal or, as the case may be, a reference to the High Court: Provided that where sub-section (11) of section 134A of Income Tax Ordinance, 2001 (XLIX of 2001) shall apply, an SOE may prefer an appeal under this sub-section.

#### **1.26 Saving**

**[Section 47AB]**

The Bill proposes to insert a new section 47AB which shall read as follows:

47AB. Saving— The period of limitation provided in clause (c) of subsection (1) of section 46 and sub-section (1) of section 47 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 (V of 2024).

#### **1.27 Certain transactions not admissible**

**[ Section 73(1)]**

The Bill proposes to insert “in aggregate” after the words “rupees” in sub-section (1) of section 73.

After amendment as proposed, sub section (1) of section 73 shall read as under:

73. Certain transactions not admissible.— (1) Notwithstanding anything contained in this Act or any other law for the time being in force, payment of the amount for a transaction exceeding value of fifty thousand rupees in aggregate, excluding payment against a utility bill, shall be made by a crossed cheque drawn on a bank or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of the amount of the sales tax invoice in favour of the supplier from the business bank account of the buyer.

## **2. THE THIRD SCHEDULE: Additions in Third Schedule:**

Goods liable to sales tax on the basis of retail price. In terms of section 3(2)(a) of the Act, the taxable supplies and import of goods specified in the Third Schedule shall be charged to sales tax at the rate of 18% of the retail price.

2.1 – Insertion of new Sr. No. 51 in Third Schedule: It has been proposed to insert a new Sr. No. 51 through which DAP shall be subjected to sales tax at the rate of 18% of retail price.

### 3. THE FIFTH HEDULE: Amendments in Fifth Schedule:

In terms of section 4(a) of the Sales Tax Act, 1990, the goods specified in the Fifth Schedule to the Act shall be subjected to zero rating of sales tax.

- 3.1 Withdrawal of zero rating of sales tax on preparations suitable for infants and stationery items by omitting Sr. No. 12 and subjecting stationery items to reduced rate of 10% sales tax by inserting a new Sr. No. 84 in Eighth Schedule.

In terms of Sr. No. 12 of Fifth Schedule, 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:--

Preparations suitable for infants, put up for retail sale not exceeding rupees six hundred per two hundred grams (PCT Heading 1901.1000);  
Colors in sets (PCT heading 3213.1000).  
Writing, drawing and marking inks (PCT heading. 3215.9010 and 3215.9090)  
Erasers (PCT heading 4016.9210 and 4016.9290)  
Exercise books (PCT heading 4820.2000)  
Pencil sharpeners (PCT heading 8214.1000)  
other drawing, marking out or mathematical calculating instruments (geometry box) (PCT heading 9017.2000)  
Pens, ball pens, markers and porous tipped pens (PCT heading 96.08)  
Pencils including color pencils (PCT heading 96.09).

The Bill proposes to omit Sr. No. 12 from Fifth Schedule meaning thereby if the proposal is approved, the above referred goods shall not be subjected to zero rating of sales tax w.e.f. 01.07.2024.

- 3.2 Withdrawal of zero rating of sales tax on milk (PCT Heading 04.01) by omitting Sr. No. 16 of Fifth Schedule and grant of exemption of sales tax on milk excluding that sold under a brand name by inserting a new Sr. No. 56 in Table 2 of Sixth Schedule.

In terms of Sr. No. 16 of Fifth Schedule, milk of PCT Heading 04.01 is subjected to zero rating of sales tax and the milk producer including Nestle Pakistan Limited; Engro Pakistan Limited and others were entitled to claim refund of input tax paid on input goods including Tetra Pack brick. The Bill proposes to omit Sr. No. 16 meaning thereby that, if proposal is approved, zero rating of sales tax on milk shall be withdrawn w.e.f. 01.07.2024.

- 3.3 Withdrawal of zero rating of sales tax on fat filled milk (PCT 1901.9090) by omitting Sr. No. 17 of Fifth Schedule: In terms of Sr. No. 17 of Fifth Schedule, fat filled milk of PCT Heading 1901.9090 is subjected to zero rating of sales tax and the milk producer including Nestle Pakistan Limited; Engro Pakistan Limited and others were entitled to claim refund of input tax paid on input goods. The Bill proposes to omit Sr. No. 17 meaning thereby that, if proposal is approved, zero rating of sales tax on fat filled milk shall be withdrawn w.e.f. 01.07.2024.

- 3.4 Withdrawal of zero rating of sales tax on local supplies made to registered exporters operating under EFS 2021 by omitting Sr. No. 21 of Fifth Schedule: Sr. No. 21 was added in Fifth Schedule through Finance Act, 2022 through which zero rating of sales tax has been granted on local supplies of 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. The Bill proposes to omit Sr. No. 21 of Fifth Schedule meaning thereby if the proposal is approved, local supplies of above referred goods to persons operating under EFS shall be subjected to standard rate of 18% sales tax.

#### 4. THE SIXTH SCHEDULE:

The goods specified in Table 1, whether supplied locally or imported, are exempt from sales tax whereas the goods specified in Table 2 are exempt from sales tax only when supplied locally.

##### I. **Exemption of sales tax on imports or supplies – Omission / addition / amendments in Table 1 of Sixth Schedule:**

In terms of section 13(1), import or supply of goods specified therein in Table 1 of Sixth Schedule, shall be exempt from sales tax.

- 4.1 In terms of Sr. No. 13 of Table 1, exemption of sales tax has been granted on edible vegetables imported from Afghanistan] including roots and tubers, except ware potato and onions], whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned classified in PCT Headings specified in column (3) thereof. The Bill proposes to omit Sr. No. 13 meaning thereby that these goods shall be subjected to sales tax at the standard rate of 18% sales tax.
- 4.2 In terms of Sr. No. 15 of Table 1, exemption of sales tax has been granted on fruits imported from Afghanistan excluding apples classified in PCT Headings specified in column (3) thereof. The Bill proposes to omit Sr. No. 15 meaning thereby that these goods shall be subjected to sales tax at the standard rate of 18% sales tax.
- 4.3 In terms of Sr. No. 32 of Table 1, exemption of sales tax has been granted on newsprint and books but excluding brochures, leaflets and directories. It has been proposed to omit Sr. No. 15 meaning thereby that if proposal is approved, exemption of sales tax on these goods shall stand withdraw w.e.f. 01.07.2024. The Bill proposes to insert a new Sr. No. 91 in Eighth Schedule of the Act and if the said proposed is accepted, newsprint and books shall be subjected to reduced rate of 10% sales tax subject to the condition that refund of excess input tax, if any, shall not be admissible. The brochures, leaflets and directories shall remain subjected to standard rate of 18% sales tax.
- 4.4 Stationery items referred to in paragraph above are subjected to zero rating of sales tax subject to conditions as prescribed by FBR and the manufacturer of these goods are entitled for refund of sales tax paid on input goods. The supplies of colors in sets [poster colors of PCT 3213.1000; writing, drawing and marking inks of PCT 3215.9010 and 3515.9090; erasers of PCT 4016.9210 and 4016.9290; exercise books of PCT 4820.2000; pencil sharpeners of PCT 8214.1000; other drawing, marking out or mathematical calculating instruments (geometry box of PCT 9017.2000; pens, ball pens, markers and porous tipped pens of PCT 96.08 and pencils including color pencils)] made by persons who cannot fulfil the condition prescribed by Board, are exempt from sales tax in terms of Sr. Nos. 86, 87, 88, 89, 90, 96, 97 & 98 respectively and such suppliers cannot claim credit of sales tax paid on input goods. The Bill proposes to omit the said serial numbers and if the

proposal is approved, exemption from sales tax shall stand withdrawn w.e.f. 01.07.2024 and the stationery items referred to above shall be subjected to reduced rate of 10% sales tax in terms of Sr. No. 84 of Eighth Schedule as has been proposed to be inserted.

- 4.5 In terms of Sr. No. 112 of Table 1, exemption of sales tax has been granted on cardiology, cardiac surgery, neurovascular, electro physiology, endo-surgery, endoscopy, oncology, urology, gynaecology, disposables and other equipment specified in column (2) of the entry at Sr. No. 112 including 25 angioplasty products; 7 angiography products; 10 contrast media for angiography / angioplasty, temporary pacemakers, permanent pacemakers, heart failure devices, implantable cardioverters, cardiac electro physiology products, lear cardiology products, cardiac surgery products, equipment, peripheral interventions equipment. The Bill proposes to omit Sr. No. 112 meaning thereby that if the proposal if approved these goods shall be subjected to sales tax at the standard rate of 18% sales tax.
- 4.6 In terms of Sr. No. 120 of Table 1, exemption of sales tax has been granted on diagnostic kits or equipment specified in column (2) of Sr. No. 120. The Bill proposes to omit Sr. No. 120 meaning thereby that if the proposal if approved these goods shall be subjected to sales tax at the standard rate of 18% sales tax.
- 4.7 **Withdrawal of exemption of sales tax on supplies and imports made by industries located in erstwhile FATA / PATA and subjected them to reduced rate of sales tax:**
- 4.7.1 In terms of Sr. No. 151 of Table 1, exemption of sales tax has been granted on (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, 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. The Bill proposes to omit Sr. No. 151 meaning thereby that if the proposal if approved, exemption from sales tax on supplies and imports specified in Sr. No. 151 shall stand withdrawn w.e.f. 01.07.2024.
- 4.7.2 The Bill proposes to insert a new Sr. No. 85 in Eighth Schedule through which (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, shall be subjected to reduced rate of (i) 6% sales tax till 30.06.2025 and (ii) 12% from 01.07.2025 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 the 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.

- 4.8 **Withdrawal of exemption of sales tax on electricity to residential and commercial consumers located in erstwhile FATA / PATA and to such industries in Tribal areas which were set and started production before 31.05.2018 and subjecting it to reduced rate of sales tax:**
- 4.8.1 In terms of Sr. No. 152 of Table 1, exemption of sales tax has been given on supplies of electricity, as made from the day of assent to the Constitution (Twenty-fifth Amendment) Act, 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 industries. It has been proposed to omit Sr. No. 152 meaning thereby that if the proposal is approved, exemption from sales tax on supply of electricity to persons / industries referred to in Sr. No. 152 shall stand withdrawn w.e.f. 01.07.2024.
- 4.8.2 The Bill proposes to insert a new Sr. No. 86 in Eighth Schedule through which 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 shall be subjected to reduced rate of (i) 6% sales tax till 30.06.2025 and (ii) 12% from 01.07.2025 till 30.06.2026.
- 4.9 In terms of Sr. No. 165 of Table 1, exemption of sales tax has been given on goods imported by or donated to hospitals run by the non-profit making institutions subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969. The Bill proposes to amend Sr. No. 165 and by if the said proposal is accepted, exemption of sales tax shall stand withdrawn on goods imported by hospitals referred to in Sr. No. 165 w.e.f. 01.07.2024.
- 4.10 In terms of Sr. No. 166 of Table 1, exemption of sales tax has been given on goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more. The Bill proposes to omit Sr. No. 166 meaning thereby that if the proposal is approved, exemption from sales tax on the goods referred to in Sr. No. 166 shall stand withdrawn and these shall be subjected to standard rate of sales tax w.e.f. 01.07.2024.
- 4.11 **Withdrawal of exemption on oil cake and other solid residues of PCT Heading 2306.1000 and subjecting them to reduced rate of 10% sales tax:**
- 4.11.1 In terms of Sr. No. 169 of Table 1, exemption of sales tax has been given on oil cake and other solid residues of PCT Heading 2306.1000. It has been proposed to omit Sr. No. 169 meaning thereby that if the proposal is approved, exemption from sales tax on the goods referred to in Sr. No. 169 shall stand withdrawn w.e.f. 01.07.2024.
- 4.11.2 The Bill proposes to insert a new Sr. No. 87 in Eighth Schedule and if the said proposed is accepted then oil cake and other solid residues of PCT Heading 2306.1000 shall be subjected to reduced rate of 10% sales tax w.e.f. 01.07.2024.

**4.12 Withdrawal of exemption on tractors of PCT Heading 8701.9220 and 8701.9320 and subjecting them to reduced rate of 10% sales tax:**

4.12.1 In terms of Sr. No. 170 of Table 1, exemption of sales tax has been given on tractors of PCT Heading 8701.9220 and 8701.9320. It has been proposed to omit Sr. No. 170 meaning thereby that if the proposal is approved, exemption from sales tax on tractors shall stand withdrawn w.e.f. 01.07.2024.

4.12.2 The Bill proposes to insert a new Sr. No. 88 in Eighth Schedule and if the said proposed is accepted then tractors of PCT Heading 8701.9220 and 8701.9320 shall be subjected to reduced rate of 10% sales tax w.e.f. 01.07.2024.

4.13 In terms of Sr. No. 174 of Table 1, exemption of sales tax has been given on machinery and equipment as listed at serial number 32 of the Table of Part-I of Fifth Schedule to the Customs Act, 1969, subject to the conditions, limitations and restrictions specified thereunder. The Bill proposes to omit Sr. No. 174 meaning thereby that if the proposal is approved, exemption from sales tax on goods referred to in Sr. No. 174 shall stand withdrawn w.e.f. 01.07.2024.

4.14 The Bill proposes to add a new Sr. No. 175 in Table 1 through which exemption of sales tax shall be given on 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.

4.15 It has been proposed to add a new Sr. No. 176 in Table 1 through which exemption of sales tax shall be given on POL products including (i) MS (petrol); (ii) high speed diesel oil; (iii) kerosene; and (iv) light diesel oil.

**II. Exemption of sales tax on local supplies – Omission / addition / amendments in Table 2 of Sixth Schedule:**

**4.16 Withdrawal of exemption on bakery products and subjected them to reduced rate of 10% sales tax:**

4.16.1 In terms of Sr. No. 7 of Table 2, exemption of sales tax has been granted on local supplies of vermicelles, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers. The Bill proposes to omit Sr. No. 7 meaning thereby that exemption on these products shall stand withdrawn w.e.f 01.07.2024.

4.16.2 The Bill proposes to insert a new Sr. No. 89 in Eighth Schedule and if the said proposal is approved, local supplies of vermicelles, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers shall be subjected to reduced rate of 10% sales tax.

**4.17 Withdrawal of exemption on poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal and subjected them to reduced rate of 10% sales tax:**

4.17.1 In terms of Sr. No. 21 of Table 2, exemption of sales tax has been granted on local supplies of poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal. The Bill proposes to omit Sr. No. 21 meaning thereby that exemption on these products shall stand withdrawn w.e.f 01.07.2024.

4.17.2 The Bill proposes to insert a new Sr. No. 90 in Eighth Schedule and if the said proposal is approved, local supplies of poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal shall be subjected to reduced rate of 10% sales tax subject to the condition that refund of excess input tax, if any, shall not be admissible.

4.18 The Bill proposes to insert a new Sr. No. 56 in Table 2 and if the proposal is approved, exemption of sales tax shall be given Milk excluding that sold under brand name PCT Heading 04.01

4.19 The Bill proposes to insert a new Sr. No. 57 in Table 2 and if the proposal is approved, exemption of sales tax shall be given on iron and steel scrap of PCT Heading 7204.4100; 7204.3000 and 7204.4990.

## **5. EIGHTH SCHECULE**

### **Higher / lower rates of sales tax – Omission / addition / amendments in Table 1 of Eighth Schedule:**

5.1 Withdrawal of reduced rate of sales tax on import and supply of such imported LPG: In terms of Sr. No. 58, import of LPG and local supplies of such imported LPG is subjected to reduced rate of 10% sales tax. It has been proposed to omit Sr. No. 58 and if the proposal is approved the said goods shall be subjected to standard rate of 18% sales tax w.e.f. 01.07.2024.

5.2 Withdrawal of reduced rate of sales tax on locally manufactured articles of textile and leather: In terms of Sr. No. 66, supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales are subjected to reduced rate of 15% sales tax 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. The Bill proposes to omit Sr. No. 66 and if the proposal is approved the said goods shall be subjected to standard rate of 18% sales tax w.e.f. 01.07.2024.

- 5.3 Withdrawal of reduced rate of sales tax on locally manufactured hybrid electrical vehicles: In terms of Sr. No. 73, locally manufactured hybrid electric vehicles up to 1800 cc are subjected to reduced rate of 8.5% sales tax whereas locally manufactured hybrid electric vehicles from 1801 cc to 2500 cc are subjected to reduced rate of 12.75% sales tax. The Bill proposes to omit Sr. No. 73 and if the proposal is approved the said vehicles shall be subjected to sales tax 25% w.e.f. 01.07.2024.
- 5.4 Increase in the rate of sales tax on PCs and laptop computers: In terms of Sr. No. 77, personal computers and Laptop computers, notebooks whether or not incorporating multimedia kit are subjected to reduced rate of 5% sales tax if imported in CBU condition. The Bill proposes to substitute Sr. No. 77 and if the proposal is approved, imported personal computers and Laptop computers, notebooks whether or not incorporating multimedia kit shall be subjected to reduced rate of 10% sales tax w.e.f. 01.07.2024.
- 5.5 Withdrawal of reduced rate of sales tax on medicaments of Chapter 30 of First Schedule to the Customs Act, 1969: In terms of Sr. No. 81 substances registered as drugs under the Drugs Act, 1976 and medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 with certain exclusions, are subjected to reduced rate of 1% sales tax subject to the conditions that (i) tax charged and deposited by the manufacturer or importer, as the case may be, shall be final discharge of tax in the supply chain (ii) no input tax shall be adjusted in the supply chain. The Bill proposes to amend Sr. No. 81 and if the proposal is approved, only substances registered as drugs under the Drugs Act, 1976 shall be subjected to reduced rate of 1% sales tax whereas w.e.f. 01.07.2024, medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 shall be subjected to standard rate of 18% sales tax.
- 5.6 The Bill proposed to insert a new Sr. No. 84 in the Eighth Schedule through sales tax at reduced rate of 10% shall be levied on the following goods w.e.f. 01.07.2024
- Colors in sets – PCT heading 3213.1000  
 Writing, drawing and marking inks - PCT headings 3215.9010 and 3215.9090  
 Erasers (PCT heading 4016.9210 and 4016.9290)  
 Exercise books (PCT heading 4820.2000)  
 Pencil sharpeners (PCT heading 8214.1000)  
 other drawing, marking out or mathematical calculating instruments (geometry box) (PCT heading 9017.2000)  
 Pens, ball pens, markers and porous tipped pens (PCT heading 96.08)  
 Pencils including color pencils (PCT heading 96.09).
- 5.7 The Bill proposes to insert a new Sr. No. 85 in Eighth Schedule through which (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, shall be subjected to reduced rate of (i) 6% sales tax till 30.06.2025 and (ii) 12% from 01.07.2025 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 the 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.

- 5.8 The Bill proposes to insert a new Sr. No. 86 in Eighth Schedule through which 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 shall be subjected to reduced rate of (i) 6% sales tax till 30.06.2025 and (ii) 12% from 01.07.2025 till 30.06.2026.
- 5.9 The Bill proposes to insert a new Sr. No. 87 in Eighth Schedule and if the said proposed is accepted then oil cake and other solid residues of PCT Heading 2306.1000 shall be subjected to reduced rate of 10% sales tax w.e.f. 01.07.2024.
- 5.10 The Bill proposes to insert a new Sr. No. 88 in Eighth Schedule and if the said proposed is accepted then tractors of PCT Heading 8701.9220 and 8701.9320 shall be subjected to reduced rate of 10% sales tax w.e.f. 01.07.2024.
- 5.11 The Bill proposes to insert a new Sr. No. 89 in Eighth Schedule and if the said proposal is approved, local supplies of vermicelles, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers shall be subjected to reduced rate of 10% sales tax.
- 5.12 The Bill proposes to insert a new Sr. No. 90 in Eighth Schedule and if the said proposal is approved, local supplies of poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal shall be subjected to reduced rate of 10% sales tax subject to the condition that refund of excess input tax, if any, shall not be admissible.
- 5.13 In terms of Sr. No. 32 of Table 1, exemption of sales tax has been granted on newsprint and books but excluding brochures, leaflets and directories. It has been proposed to omit Sr. No. 15 meaning thereby that if proposal is approved, exemption of sales tax on these goods shall stand withdraw w.e.f. 01.07.2024. The Bill proposes to insert a new Sr. No. 91 in Eighth Schedule of the Act and if the said proposed is accepted, newsprint and books shall be subjected to reduced rate of 10% sales tax subject to the condition that refund of excess input tax, if any, shall not be admissible. The brochures, leaflets and directories shall remain subjected to standard rate of 18% sales tax.

## 6. THE NINTH SCHEDULE

Sales tax to be charged collected and paid at the rates, in the manner, at the time and subject to procedure and conditions – Substitutions / amendments in Ninth Schedule:

### 6.1 Substitution of Table II of Ninth Schedule:

The Bill proposes to substitute Table II of Ninth Schedule and the substituted provisions, if approved, shall be as under:

**Table-II**

Cellular mobile phones in CKD/CBU form:

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)	(2)	(3)	(4)	(5)
	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

6.2 Omission of clauses under the heading 'LIABILITY, PROCEDURE AND CONDITIONS':

- 6.2.1 In terms of clause (iii) the tax paid under Ninth Schedule shall not be deductible against the output tax payable by the purchaser or importer of the goods specified in this Schedule. The Bill proposes to omit clause (iii).
- 6.2.2 In terms of clause (iv) the input tax paid on the input goods attributable to the goods specified in Ninth Schedule shall not be deductible for the tax payable under this Schedule. The Bill proposes to omit clause (iv).
- 6.2.3 In terms of clause (v) the Board may prescribe further mode and manner of payment of tax due under Ninth Schedule. It has been proposed to omit clause (v).

**7. THE ELVENTH SCHEDULE**

**Withholding of sales tax – Amendments / additions in Eleventh Schedule:**

In terms of section 3(7) of the Act, the rates for withholding of sales tax have been prescribed in Eleventh Schedule.



- 7.1 In terms of Sr. No. 7, registered persons manufacturing lead batteries are obliged to withhold 75% of sales tax applicable from the payments made to the persons supplying any kind of lead. The Bill proposes to increase the rate of withholding of sales tax from 75% to 80%.
- 7.2 The Bill proposes to add a new Sr. No. 9 through which registered persons manufacturing cement shall be obliged to withhold 80% of the sales tax applicable from Persons supplying any kind of gypsum under chapter 25 (PCT headings 2520.1010, 2520.1020, 2521.0000) or limestone flux under chapter 25 (PCT headings 2520.1010, 2520.1020, 2521.0000).
- 7.3 The Bill proposes to add a new Sr. No. 10 through which registered persons shall be obliged to withhold 80% of the sales tax applicable from 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).
- 7.4 The Bill proposes to add a new Sr. No. 11 through which registered persons shall be obliged to withhold 80% of the sales tax applicable from persons supplying any kind of waste of paper and paper board (Respective headings).
- 7.5 The Bill proposes to add a new Sr. No. 12 through which registered persons shall be obliged to withhold 80% of the sales tax applicable from persons supplying any kind of plastic waste (Respective headings).
- 7.6 The Bill proposes to add a new Sr. No. 13 through which registered persons shall be obliged to withhold 80% of the sales tax applicable from persons supplying crush stone and silica.
- 7.7 In terms of clause (viii) of Eleventh Schedule, provisions of withholding of sales tax shall not be applicable on supplies made by an Active Taxpayer as defined in the Sales Tax Act, 1990 to another registered persons with exception of advertisement services. The Bill proposes to substitute said clause (viii) and if the proposal is accepted provisions of withholding of sales tax shall not be applicable on supplies made by an Active Taxpayer as defined in the Sales Tax Act, 1990 to another registered persons with exception of supplies referred to in Sr. Nos. 5 (recipients of advertisement services); 7 (manufacturers of lead batteries; and newly inserted (as proposed) Sr. Nos. 9, 10, 11, 12 and 13 of the Table referred to in above paragraphs.

## 8. THE TWELFTH SCHEDULE

### **Value addition tax – Amendments in Twelfth Schedule:**

In terms of section 7A(2) read with Twelfth Schedule, all imported goods subject to exclusions as given in conditions and procedures therein shall be subjected to 3% value addition tax. In terms of clause 2 of “Procedure & condition”, value addition tax shall not be charged on goods specified in sub clauses (i) to (xiii). The Bill proposes to amend sub clause (iv) of clause 2 and if the proposal is accepted, value addition tax shall not be charged on “Cellular mobile phones or satellite phones (PCT Headings 8517.1419, 8517.1430 and 8517.1390).

**COMMENTS ON AMENDMENTS PROPOSED VIDE FINANCE BILL 2024  
IN FEDERAL EXCISE ACT 2005 - EFFECTIVE FROM JULY 01, 2024,  
EXCEPT PROVIDED OTHERWISE**

**1. Immovable Properties under scope of Federal Excise Duty  
Insertion of Entry No.63 in First Schedule**

Section 3 of the Federal Excise Act, 2005 deals with the levy of Duties specified in the First Schedule of the Federal Excise Act 2005. The excisable goods are specified in first schedule to the Federal Excise Act, 2005. Last year by virtue of Finance Act, 2023 the scope of excisable goods has been widened by insertion of “any item specified in the First Schedule” in subsection (1) of Section 3 of the Federal Excise Act, 2005. Hitherto the insertion of the that amendment, the scope of FED was already enhanced to include any item thereof and now its chargeability has been proposed to encompass the allotment and transfer of immovable properties.

A new entry no.63 is proposed to be added in the first schedule to the Excise Act, 2005 by virtue of which FED is proposed to be levied at 5% on allotment or transfer of commercial properties and first allotment and transfer of residential properties in such mode and manner and subject to such conditions and restriction as may be prescribed by the Board. However, there is still ambiguity regarding subsequent transfer of residential properties.

This proposed amendment may lead to examine the legislative competence between federation and provinces regarding enforcement of this proposed levy on immovable properties which inter alia falls within the jurisdiction of provinces.

**2. Increase in the rate of default Surcharge Section 8**

Section 8 of the Federal Excise Act, 2005 deals with the imposition of default surcharge @ 12% per annum, where a taxpayer fails to pay the duty due or any part thereof within the prescribed time or receives a refund of duty or drawback or makes an adjustment which is not admissible to him.

The Bill seeks to enhance the existing rate of default surcharge from 12% per annum of the duty due, refund of duty or drawback to Kibor+3%.

**3. Prior approval for installation, commencement of production and removal of plant and machinery  
(Insertion of clause (f) in sub-section 3 of section 19)**

Section 19 of the Federal Excise Act, 2005 deals with the imposition of offences, penalties, fines and allied matters. The bill seeks to insert a new clause (f) in respective section whereby a penalty of higher of Rs 50,000/- or 5 times of the duty involved is being enacted which may extend to imprisonment of 5 years (either or both) in case if plant and machinery having value of Rs 50 million or more, is installed, or commences production, or is removed without prior permission of the competent authority.

**4. Sealing of retail outlet  
(Insertion of sub-section (10A) in section 19)**

As discussed, earlier section 19 of the Federal Excise Act, 2005 deals with the imposition of Offences, penalties, fines and allied matters. The bill seeks to insert a new sub-section (10A) after sub-section 10 of section 19 wherein a penalty is proposed in case, any retailer is found selling cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes, notwithstanding any other provision of this Act, the retail outlet of such person shall be liable to be sealed in the manner as may be prescribed.

**5. Pecuniary jurisdiction in appeals  
Sub-Section(4) of Section 33A**

Section 33A of the Federal Excise Act, 2005 deals with the pecuniary jurisdictions of Commissioner (Appeals) and Appellate Tribunals were introduced vide Tax Laws (Amendment) Act, 2024.

Sub-Section 4 of section 33A provides that the cases pending before the Commissioner (Appeals) having the value of assessment of tax or, as the case may be, refund of tax exceeding five million rupees shall on and from the 16th day of June, 2024 stand transferred to the Appellate Tribunal Inland Revenue.

By virtue of the proposed amendment, the tentative date for transfer of the cases is extended to 16th day of September 2024. Hitherto the insertion of the proposed amendment, the appellate procedure under the FED Act is intended to be streamlines and harmonized at par with other taxation laws.

**6. Saving Clause for pecuniary jurisdiction in appeals  
Sub-Section(4) of Section 33A**

As discussed earlier that section 33A of the Federal Excise Act, 2005 deals with the pecuniary jurisdictions of Commissioner (Appeals) and Appellate Tribunals were introduced vide Tax Laws (Amendment) Act, 2024.

The bill seeks to continue the application of period of limitation provided in sub-section (1) of section 34 and sub-section (1) of section 34A 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 (V of 2024).

**Note:**

All other proposed changes in First Schedule to the Federal Excise Act, 2005 have been discussed separately and we have placed our comments in respective columns of schedules tabulated below:

## **PROPOSED AMENDMENTS IN TABLE I OF FIRST SCHEDULE OF THE FEDERAL EXCISE ACT 2005**

Sr. No.	Sr No. in Table	Existing		Proposed amendments		Comments
		Description	Rate of duty	Description	Rate of duty	
1	7a	New insertion	-	"Acetate tow" Under respective heading	"Rupees forty four thousand per kg"	3) The bill seeks to levy FED on "Acetate Tow" which is a fiber used primarily in cigarette filters. Similarly Nicotine pouches is tobacco free nicotine used as alternative to tobacco. The government aiming to discourage this unhealthy and injurious activity regularly increases FED on cigarettes, e-liquids utilized for electric cigarettes kits and/or alternatives thereof every year.
2	8a	E-liquids by whatsoever name called, for electric cigarette kits	"Rupees ten thousand per kg"	Same	"Rupees ten thousand per kg or sixty five percent of retail price whichever is higher"	
3	8d	New insertion	-	"Nicotine pouches" Under respective heading	"Rupees one thousand and two hundred per kg"	
4	9	Locally produced cigarettes if their on-pack printed retail price exceeds nine thousand rupees per thousand cigarettes.	Rupees sixteen thousand five hundred per thousand cigarettes	Same	"Rupees twelve thousand five hundred per thousand cigarettes"	
5	10	Locally produced cigarettes if their on-pack printed retail price does not exceed nine thousand per thousand cigarettes.	Rupees five thousand and fifty per thousand cigarettes	Same	"Rupees twelve thousand five hundred per thousand cigarettes"	
6	13	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers.	"Two rupees per kilogram"	Same	"Three rupees per kilogram"	The Bill seeks to enhance the FED on cement sector. This measure being unjustified will be borne by the general masses by increasing cost of construction.
	56	Filter rod for cigarettes	Rupees fifteen hundred per kg	Same	"Rupees eighty thousand per kg"	Same as above in point 1-5
	63	New insertion	-	"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 restriction as may be prescribed by the Board" Under respective heading	"5%"	Please see our comments at serial no.1 in compendium
6	64	New insertion	-	"Sugar supplied by any person to a manufacturer" Under respective heading	"5%"	The Bill seeks to charge FED on sugar supplied to a manufacturer. Obviously this measure will increase the costs of all the items utilized by the public at large.

The Bill seeks to insert an explanation to the term "brand variants", whereby brand variants would mean any cigarette brand with a similar logo, name, colour, design, pattern or unique distinguishing mark associated with the existing brand family. This proposed amendment is aiming to clarify the categories falling under one brand family of cigarettes.

## **PROPOSED AMENDMENTS IN TABLE II OF FIRST SCHEDULE OF THE FEDERAL EXCISE ACT 2005**

Sr. No.	Sr No. in Table	Existing		Proposed amendments		Comments
		Description	Rate of duty	Description	Rate of duty	
1	23	New insertion	New insertion	"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. (under respective heading of 99.01, 99.02 and 99.05.)	Conditional Exemption	The Bill seeks to introduce some conditional exemptions on the specified goods to the diplomats, diplomatic missions, privileged persons and privileged organizations.

**TEXT OF FINANCE BILL – 2024**

**For convenience, the complete text of  
Finance Bill 2024**

**<http://www.krestonhb.com>**

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