FINANCE ACT
2024-25

HIGHLIGHTS

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PROLOGUE:

The National Assembly has passed the Finance (Amendment) Bill 2024 ("Amended Finance Bill") on 28th June 2024. Our comments on Finance Bill 2024 are available at (https://Comments-on-Finance-Bill-2023-24). Further, in this document we have enumerated the highlights on the amendments made in Income Tax Ordinance 2001, Sales Tax Act 1990, Federal Excise Act 2005, and Capital Value Tax (Finance Act 2012). Our Comments are based on our understanding of the laws and for any Significant Information / explanation you can contact us.

The interpretations of the amendments are based on our understanding of tax law and past practices. These comments are provided for general use of the public and should not be used for any specific transaction. We do not guarantee that these interpretations will be acceptable by the tax department, tax authorities, revenue authorities or any other authorities. Furthermore, these comments are prepared for general business understanding of the masses. In case of any technical query, kindly contact us.

Please feel free to provide your feedback for further improvements in this publication.

Tola & Tola / Tola Associates

Friday, June 28, 2024

INCOME TAX ORDINANCE 2001

1. The Amended Bill has proposed to insert to add a new Clause 11(B) in Section 2 of the 2001 Ordinance whereby the word / designation of the "Chief Investigator" has been added within the definition of the word "Chief Commissioner".

2. The amended Bill has proposed to add a new Section 4AB, whereby, a surcharge has been levied on the income of an individual (salaried or otherwise) and an Association of Persons ("AOP") where the income of the said individual and / or AOP crosses the threshold of PKR 10 million. The rate of surcharge has been proposed to be 10% of the income tax levied on the income of the salaried / business individual and / AOP. This has further increased the tax burden on the salaried class, and those persons that are conducting business through a sole proprietorship and / or AOP. The effect of the proposal through the Finance Bill 2024 and the Amended Bill 2024 is on Page No. 9, the effective tax of individual / AOP earning more than 10 million rupees will be 38.5 % in case salaried individual, and 49.5 % in other cases (44 % in the case of a professional firm).

3. The Amended Bill has proposed to add a new Section 7F in the 2001 Ordinance, whereby, a separate charging section / tax regime has been introduced for income arising from business of

- **a.** construction and sale of residential, commercial or other buildings;
- **b.** development and sale of residential, commercial or other plots; or
- **c.** activities as mentioned in (a) and (b) above.

The tax has been levied on the taxable profit of every person deriving income from the aforestated activities. Taxable profit for the purposes of Section 7F has been defined as follows:

- **a)** ten percent of gross receipts in respect of construction and sale of residential, commercial or other buildings
- **b)** fifteen percent of gross receipts in respect of development and sale of residential, commercial or other plots; and
- **c)** twelve percent of gross receipts in respect of activities specified in clause (c) as mentioned above.

An explanation has also been added as follows:

Explanation: - For the removal of doubt, it is clarified that the provisions of this section shall only apply in respect of income accruing from gross receipts from activities specified in sub-section (1) and shall not be applicable to income or incomes from any other source or under any head of income.

The Amended Bill has further proposed that where a taxpayer, while explaining the nature and source of the amount credited or the investment made, money or valuable article owned or the funds from which the expenditure was made, takes into account any source of income which is subject to tax under this section, the taxpayer shall not be allowed to take credit of any sum as is in excess of taxable profit:

Provided that where taxable income under section 9 is more than the taxable profit under this section, taxpayer shall be entitled to take credit of such taxable income subject to the payment of tax at the rate specified in Division I or II of Part I of First Schedule.

4. The amended Bill has proposed to add new sub-Sections 3A and 3B in Section 101 of the 2001 Ordinance, which are as under:

- **a.** As per Section 101(3) of the 2001 Ordinance, business income of a non-resident person shall be Pakistan source income, i.e said to arise in Pakistan, to the extent it is directly or indirectly attributable to, *inter-alia,* any business connection in Pakistan. The Amended Bill has proposed to define business connection through an inclusive definition by including "*significant economic presence in Pakistan*" into the definition of business connection in Pakistan.

b. The Amended Bill has further proposed to define "significant economic presence" as follows:

Quote

(3B) significant economic presence in Pakistan shall mean–

(a) transaction in respect of any goods, services or property carried out by a nonresident with any person in Pakistan including provision of download of data or software in Pakistan, if the aggregate of payments arising from such transaction or transactions during the tax year exceeds such amount as **may be prescribed**;

(b) systematic and continuous soliciting of business activities or engaging in interaction through digital means with such number of users in Pakistan as **may be prescribed**, irrespective of whether or not—

(i) the agreement for such transactions or activities is signed in Pakistan;
(ii) the non-resident has a residence or place of business in Pakistan; or
(iii) the non-resident renders services in Pakistan:

Provided that only so much of income as is attributable to the transactions or activities referred to in clause (a) or clause (b) shall be deemed to accrue or arise from a business connection in Pakistan.

Unquote

This proposed amendment seeks to enlarge the scope of taxation with respect to those non-resident that earn income in Pakistan through digital means / presence. However, this new sub-Section shall be effective once the amounts and number of users in the aforestated clauses have been prescribed. Further, it is also not clear as to who is the prescribing authority.

5. The Bill had proposed to add a new sub-Section 6 in Section 108 of the 2001 Ordinance, whereby, the Bill had sought to disallow 25% of total expenses in respect of sales promotion, advertisement and publicity of the person who has claimed any amount as deduction on account of the payment made to an associate for 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, in the Tax year 2024 and onwards, for the tax year and any of the preceding two tax years. The said amount was proposed to be allocated to the said associate.

The Amended Bill has now proposed to amend the aforesaid clause to the effect that now before the aforesaid disallowance is made, the Commissioner must give an opportunity of being heard to the taxpayer to show that no benefit has been conferred to the taxpayer.

6. The Amended Bill has proposed to add a new sub-Section 2A in Section 111 of the 2001 Ordinance, whereby it has defined the "year of discovery" for foreign assets or expenditure or concealed income as the year in which the Commissioner has issued a Notice requiring the person to explain the nature and source of such foreign assets, expenditure, or concealed income.

7. The Bill had proposed to to add a new sub-section (d) in Sub-section 2 of Section 114B, whereby it had been proposed that the Board shall vide an Income Tax General Order, be able to restrict a Pakistani citizen from traveling abroad, except for persons that; hold a NICOP; are minors; are students; and such other classes of persons as Notified by the Board. The Amended Bill has now proposed to add persons going abroad for Hajj or Umrah into the list of people that will not be restricted from traveling abroad through an Income Tax General Order that may be issued under Section 114B of the 2001 Ordinance for not filing their return of income.

8. The Bill had proposed to add the word "including foreign assets" after every occurrence of the word asset in sub-section (1) of Section 116. Since the Bill had only proposed to add the term "including foreign assets", it is unclear whether the Legislature had proposed to empower the Commissioner to require a person to file his / her wealth statement including his / her foreign liabilities. The Amended Bill has proposed to add the term "foreign liabilities" as well.

9. The Amended Bill has proposed to add a new explanation in Section 116(1)(b) of the 2001 Ordinance, whereby the Government has explained that the assets of the spouse shall only be included in the wealth statement of a person if the spouse is a dependent.

10. The Amended Bill has proposed to add the words "including foreign assets" in Section 116(1)(c) of the 2001 Ordinance, whereby, now the Commissioner will be empowered to ask for a wealth statement specifying transfer of foreign assets by an individual (resident or non-resident) and consideration received for the period or periods specified in such notice and the consideration for the transfer.

11. The Amended Bill has proposed to add a new sub-Section (1A) in Section 121, whereby, the Commissioner has been empowered to determine taxable income for making a best judgment assessment order based on the sectoral benchmark ratios prescribed by the Board. The Amended bill has further sought to define sectoral benchmark ratios as "standard business sector ratios notified by the Board on the basis of comparative cases and includes financial ratios, production ratios, gross profit ratio, not profit ratio, recovery ratio, wastage ratio and such other ratios in respect of such sectors as may be prescribed."

12. The Amended Bill has proposed to amend Section 126A introduced vide Tax Laws (Amendment) Act 2024, whereby, the new amendment has added a non-obstante clause, whereas, previously, the Section 126A of the 2001 Ordinance was subject to the provisions of the 2001 Ordinance. This amendment has sought to give an overriding effect to Section 126A over the other provisions of the 2001 Ordinance.

13. The Bill had proposed to extend the deadline of the transfer of the appeals pending before the Commissioner Appeals, to the Hon'ble Appellate Tribunal Inland Revenue ("ATIR"), value of assessment of tax or refund whereof is more than PKR 20 million, from 16th June 2024 to 16th September 2024. The Amended Bill has proposed to extend the deadline up to 31st December 2024 and has deemed the clause to be effective from 16th June 2024.

14. The Bill had proposed to extend the deadline of the transfer of the appeals pending before the Commissioner Appeals, to the Hon'ble Appellate Tribunal Inland Revenue ("ATIR"), value of assessment of tax or refund whereof is more than PKR 20 million, from 16th June 2024 to 16th September 2024. However, a potential further anomaly had arisen due to the aforesaid amendment in sub-section (4) as the deadline had been proposed to be extended to 16th September 2024, however, by virtue of sub-section (5), the limitation set for the Hon'ble ATIR deciding these transferred appeals u/s 132 starts from 16th June 2024. The Amended Bill has now proposed to remove the anomaly by proposing to amend Section 126A(5), whereby, the limitation of the ATIR for deciding the transferred Appeals shall commence from the date of transfer of the said appeal.

15. The Bill had proposed to amend Section 127(1), whereby, the element of pecuniary jurisdiction of the Commissioner Appeals had been set in Section 127(1), in line with Section 126A as introduced by the Tax Laws (Amendment) Act 2024. It may be noted that the Hon'ble Lahore High Court ("LHC") had issued an ad-interim Order on 21st May 2024, in W.P No. 31371/2024, whereby the Hon'ble LHC had directed that the appeal of the Petitioner shall be entertained by the CIRA.

    The Amended Bill has proposed to substitute the aforesaid amendment through a new amendment, whereby, Section 127 of the 2001 Ordinance has been made operative "*subject to Section 126A*". This seems to be a streamlining measure.

16. The Amended Bill has proposed to amend Section 133, whereby

- **a.** In Section 133(1): (i) Section 133 has now been made "*subject to Section 126A"; (ii)* the Applicant has now proposed to be made obliged to file record of the proceedings before the Commissioner Appeals. Previously, the proviso only mandated the Applicant to file the record of the proceedings before the Hon'ble ATIR. This proposal seems to be a streamlining measure; (iii) An explanation is added as follows: "For the removal of doubt it is clarified that reference against order of the Commissioner (Appeals), communicated after the date of commencement of the Tax Laws (Amendment) Act, 2024 (V of 2024), shall lie before the High Court notwithstanding the proceedings pending prior to the date of commencement of the said Act." This explanation may be subject to litigation as it seeks to unlawfully vitiate vested rights of the Appellant. Further, it has sought to give retrospective effect to such appeals, without specifically mentioning that it is retrospective in nature, or without giving it a retrospective effect through a deeming clause. These aspects may make it subject to litigation before the High Courts of Pakistan.
- **b.** In Section 133(2), (7) and (10): Reference to the Commissioner Appeals or the Order of the Commissioner Appeals has been added. This is a streamlining measure.
- **c.** In Section 133(12): The Amended Bill has proposed to exempt the Commissioner from paying the court fee of PKR 50,000 when filing a Income Tax Reference Application before the Hon'ble High Courts of Pakistan.

17. The Bill had proposed to add a new sub-section (6B), whereby, any taxpayer filing an estimate for advance tax ***under sub-section (6) or (6A)***, must 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. Further, the Bill has proposed to empower the Commissioner to reject the estimates provided by the taxpayer, after giving an opportunity of being heard to the taxpayer, where the Commissioner is not satisfied with the documentary evidence provided or where an estimate is not accompanied with the documentary evidence provided.

The Amended Bill has proposed to omit the reference to sub-section (6A) in the aforesaid amendment. The Amended Bill has further proposed to add a reference to the formula in "sub-section 4A" of Section 147.

18. The Amended Bill has proposed to add a new sub-Section 6C in Section 147, as follows:

Quote

(6C) Notwithstanding anything contained in this Ordinance, the persons specified in sub-sections (1), (3), (3A), (3B) and (3C) of section 154 shall, at the time of realization of foreign exchange proceeds, or realization of the proceeds on account of sale of goods, or export of goods, or at the time of making payment to an indirect exporter, or clearing of goods exported, respectively, deduct or collect, as the case may be, advance income tax under this section at the rate of one percent of such foreign exchange proceeds, or export proceeds, or exports, or payment, in addition to tax collectable or deductible under section 154 of this Ordinance.

Unquote

The upshot of the aforesaid amendment proposed through the Amended Bill is that exporter of goods, whether direct or indirect exporters, shall be subject to advance tax at 1% of the realization of the foreign exchange proceeds on account of the aforestated payments.

19. The Amended Bill has proposed to amend Section 149 as follows:

a. In Section 149(1): The employer has been made responsible to deduct the newly proposed Surcharge under Section 4AB.

b. In Section 149(2): In the average rate of tax, the amount of tax that would be payable if the amount referred to in the denominator were the employee's taxable income for that year, is proposed to be topped up with the surcharge chargeable under Section 4AB.

20. The Bill had proposed to amend Section 152(4A), whereby, the power of the Commissioner to allow payments made to non-residents under Section 152(1A) or to a Permanent Establishment in Pakistan of a non-resident person under Section 152(2A), on the application of the recipient of such payments, to be made without deduction of tax has been withdrawn. Now, the Commissioner can only authorize such payments to be made at a reduced rate of tax.

The Amended Bill has proposed to restrict the reduced rate to upto 80% of the tax rate specified in the said Division.

21. The Bill had proposed to amend Section 153(4), whereby, the power of the Commissioner to allow payments made under Section 153(1), on the application of the recipient of such payments, to be made without deduction of tax (where tax thereon is not minimum) has been withdrawn. Now, the Commissioner can only authorize such payments to be made at a reduced rate of tax. The Amended Bill has proposed to restrict the reduced rate to up to 80% of the tax rate specified in the said Division.

22. The Bill had proposed to omit the power of the Commissioner to issue an exemption certificate under Section 159 of the 2001 Ordinance. Pursuant to the proposal, only a lower rate certificate could have been issued by the Commissioner. However, the Amended Bill has proposed to withdraw this amendment. Therefore, now the Commissioner shall continue to have power to issue an exemption certification u/s 159.

23. The Bill had proposed to impose a penalty of PKR 100 million on the first default, and PKR 200 million penalty for each subsequent default on the person who fails to comply with an income tax general order issued by the Board within 15 days of issuance of such Order. The Amended Bill has proposed to reduce the said penalties to PKR 50 million and PKR 100 million, respectively. Further, the Amended Bill has also proposed to empower the Board to notify the effective date of such penalty. As such, this proposed penalty shall only be effective once a Notification has been issued by the Board to that effect.

24. The Bill had proposed to increase the default surcharge levied under Section 205 from 12 percent to KIBOR plus three percent. The Amended Bill has proposed to levy a default surcharge of 12 percent or KIBOR plus three percent, whichever is higher.

25. The amended Bill has proposed to add a new Section 230K titled as "***Tax Fraud Investigation Wing Inland Revenue"***. Further, the functions of the newly established Tax Fraud Investigation Wing ("TFIW") shall be to detect, analyze, investigate, combat and prevent tax evasion and fraud.

The Tax Fraud Investigation Wing Inland Revenue shall comprise Fraud Intelligence and Analysis Unit, Fraud Investigation Unit, Legal Unit, Accountants Unit, Digital Forensic and Scene of Crime Unit, Administrative Unit or any other Unit as may be approved by the Board or the Federal Government.

The Tax Fraud Investigation Wing Inland Revenue shall consist of a Chief Investigator and as many following officers, as may be notified by the Board –

(a) Senior Investigators, Investigators, Junior Investigators or any other officer of Inland Revenue with any other designation;

(b) a Senior Forensic Analyst and as many Forensic Analysts and Junior Forensic Analysts; and

(c) a Senior Data Analyst and as many Data Analysts and Junior Data Analysts.

The Board may, by notification in the official Gazette, -

(a) specify the functions and jurisdiction of the Tax Fraud Investigation Wing Inland Revenue and its officers; and

(b) confer the powers of authorities specified in section 207 upon the Tax Fraud Investigation Wing Inland Revenue and its officers in clause (a) of sub-section 4.

The Amended Bill has further proposed that nothing contained in this section shall prevent the authorities appointed under section 207 and 208 or any other authority or officer conferred with the power of authorities under section 207 and 208 from conducting prosecution Part XI of Chapter X of the Ordinance.

26. The Amended Bill has proposed to amend Section 236C as follows (amendments are in red):

236C. Advance Tax on sale or transfer of immovable Property. —

(1) Subject to sub-section (2A), any person responsible for registering, recording or attesting transfer of any immovable property shall at the time of registering, recording or attesting the transfer shall collect from the seller or transferor advance tax at the rate specified in Division X of Part IV of the First Schedule:

Explanation,—For removal of doubt, it is clarified that the person responsible for registering, recording or attesting transfer includes person responsible for registering, recording or attesting transfer for local authority, housing authority, housing society, co-operative society , public and private real estate projects registered/governed under any law, joint ventures, private commercial concerns] and registrar of properties.

Provided that this sub-section shall not apply to a seller, being the dependant of a Shaheed belonging to Pakistan Armed Forces or a person who dies while in the service of the Pakistan Armed Forces or the service of Federal or Provincial Government *or a war wounded person while in service of Pakistan Armed Forces or Federal or Provincial Government or an ex-serviceman and serving personnel of armed forces or ex-employees or serving personnel of Federal and Provincial Government*, in respect of first sale of immovable property acquired from or allotted by the Federal Government or Provincial Government or any authority duly certified by the official allotment authority, and the property acquired or allotted is in recognition of or for services rendered by the Shaheed or the person who dies in service *or a war wounded person while in service of Pakistan Armed Forces or Federal or Provincial Government or an ex-serviceman and serving personnel of armed forces or ex-employees or serving personnel of Federal and Provincial Government*.

Provided further that if the seller or transferor is a non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) who had acquired the said immovable property through a Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA) maintained with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan, the tax collected under this section from such persons shall be final discharge of tax liability in lieu of capital gains taxable under section 37 earned by the seller or transferor from the property so disposed of.

27. The Bill had proposed to enhance the tax rates on individuals (salaried and business) and AOPs. The Amended Bill has added a proviso, whereby, the tax rate of an AOP that is a professional firm which is prohibited from incorporating by any law or the rules of the body regulating their profession, the highest tax rate applicable to them shall be 40% (plus the fixed tax of PKR 1,610,000/-).

28. The Bill had proposed to increase the dividend withholding rates if the dividend receipts of the fund are less than capital gains, from 12.5% to 20%. The Amended Bill has proposed to reduce the proposed 20% to 15%.

29. The Amended bill has proposed to add a new Clause 99B in the Second Schedule, as follows:

Quote

"(99B) Income of a Special Purpose Vehicle buying Diversified Payment Rights from the Authorized Dealers in Pakistan.

Explanation. For the purpose of this clause, Diversified Payment Rights, Special Purpose Vehicle and Authorized Dealers shall mean the 'Diversified Payment Rights', 'Special Purpose Vehicle' and 'Authorized Dealers', respectively, in each case, as referred in the State Bank of Pakistan's Circular(s) or Regulations on Diversified Payment Rights

Unquote

30. The Amended Bill has a corresponding amendment to Section 236C, in Clause 114B of the Second Schedule, whereby the exemption has been made available to persons mentioned in the said proviso. For reference, please see clause 26 as above.

31. The Bill had proposed to remove the 25% rebate available of the tax payable on the income from salary, to a full time teacher or a researcher employed in a non profit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government research institution. The Amended Bill has proposed to withdraw such removal. Consequently, such 25% rebate has been restored vide the Amended Bill.

32. The Amended Bill has proposed to exempt from Minimum Tax u/s 113 of the 2001 Ordinance the persons qualifying for exemption under Clause 126E of Part 1 of the Second Schedule as follows:

Income derived by a zone enterprise as defined in the Special Economic Zones Act, 2012 (XX of 2012) for a period of ten years starting from the date the developer certifies that the zone enterprise has commenced commercial operation and for a period of ten years to a developer of zone starting from the date of signing of the development agreement in the special economic zone as announced by the Federal Government

Provided that this clause shall also apply to a co-developer as defined in Special Economic Zone Rules, 2013 subject to the condition that a certificate has been furnished—

(a) by the developer that he has not claimed exemption under this clause and has relinquished his claim in favour of the co-developer; and (b) by the Special Economic Zone Authority validating that the developer has not claimed exemption under this clause and has relinquished claim in favour of the co-developer.

This exemption was earlier available, but was withdrawn vide Finance Act 2022.

33. The Amended Bill has proposed to exempt from Section 152 of the 2001 Ordinance, a Special Purpose Vehicle referred to in clause 99B of Part 1 of the Second Schedule, which is as follows:

Quote

(99B) Income of a Special Purpose Vehicle buying Diversified Payment Rights from the Authorized Dealers in Pakistan.

Explanation. For the purpose of this clause, Diversified Payment Rights, Special Purpose Vehicle and Authorized Dealers shall mean the 'Diversified Payment Rights', 'Special Purpose Vehicle' and 'Authorized Dealers', respectively, in each case, as referred in the State Bank of Pakistan's Circular(s) or Regulations on Diversified Payment Rights.

Unquote

34. The Amended Bill has proposed to add a new Rule 3A in the Seventh Schedule to the 2001 Ordinance, whereby, notwithstanding any other provision of the 2001 Ordinance, where any assets are transferred by an Authorized Dealer, as a consequence of a Diversified Payment Rights transaction, to a Special Purpose Vehicle, it shall be treated as a financing transaction irrespective of the method of accounting adopted by the Authorized Dealer. An explanation has also been added vide the Amended Bill as follows:

Explanation. – For the purpose of this clause, Diversified Payment Rights, Special Purpose Vehicle and Authorized Dealer shall mean the 'Diversified Payment Rights', 'Special Purpose Vehicle' and 'Authorized Dealer', respectively, in each case, as referred in the State Bank of Pakistan's Circular(s) or Regulations on Diversified Payment Rights.

35. The Bill had proposed to specify tax rates for advance tax u/s 236C and 236K for late filers, i.e. where names of persons are appearing on the ATL, but they have not filed their return of income by the due date specified in Section 118 or as extended under Section 119 or 214A. The Amended Bill has proposed to carve-out persons who have filed their return of income as per the due date in Section 118, or as extended under Section 119 or 214A for all of the last three tax years preceding the tax year for which the return has not been filed by the due date specified in Section 118, or as extended under Section 119 or 214A.

Income from Salary					Income from Business/AOP				
Yearly Salary	Present Tax Liability	Finance Bill 2024 Proposed Liability	Amended Finance Bill 2024 Proposed Liability	% change in Amendment Bill and TY 2024 liability	Yearly Salary	Present Tax Liability	Proposed Tax Liability	Amended Finance Bill 2024 Proposed Liability	% change in Amendment Bill and TY 2024 liability
Rs	Rs	Rs			Rs	Rs	Rs		
600,000	-	-	-	0%	600,000	-	-		0%
1,000,000	10,000	20,000	20,000	100%	1,000,000	45,000	60,000	60,000	33%
1,500,000	52,500	75,000	75,000	43%	1,500,000	135,000	150,000	150,000	11%
2,000,000	115,000	150,000	150,000	30%	2,000,000	235,000	290,000	290,000	23%
2,500,000	187,500	255,000	255,000	36%	2,500,000	340,000	440,000	440,000	29%
3,000,000	300,000	380,000	380,000	27%	3,000,000	465,000	590,000	590,000	27%
3,500,000	412,500	520,000	520,000	26%	3,500,000	615,000	770,000	770,000	25%
4,000,000	545,000	670,000	670,000	23%	4,000,000	765,000	970,000	970,000	27%
4,500,000	682,500	840,000	840,000	23%	4,500,000	940,000	1,170,000	1,170,000	24%
5,000,000	820,000	1,015,000	1,015,000	24%	5,000,000	1,115,000	1,370,000	1,370,000	23%
5,500,000	957,500	1,190,000	1,190,000	24%	5,500,000	1,290,000	1,570,000	1,570,000	22%
6,000,000	1,095,000	1,365,000	1,365,000	25%	6,000,000	1,465,000	1,790,000	1,790,000	22%
6,500,000	1,270,000	1,540,000	1,540,000	21%	6,500,000	1,640,000	2,015,000	2,015,000	23%
7,000,000	1,445,000	1,715,000	1,715,000	19%	7,000,000	1,815,000	2,240,000	2,240,000	23%
7,500,000	1,620,000	1,890,000	1,890,000	17%	7,500,000	1,990,000	2,465,000	2,465,000	24%
8,000,000	1,795,000	2,065,000	2,065,000	15%	8,000,000	2,165,000	2,690,000	2,690,000	24%
8,500,000	1,970,000	2,240,000	2,240,000	14%	8,500,000	2,340,000	2,915,000	2,915,000	25%
9,000,000	2,145,000	2,415,000	2,415,000	13%	9,000,000	2,515,000	3,140,000	3,140,000	25%
10,000,000	2,495,000	2,765,000	2,765,000	11%	10,000,000	2,865,000	3,590,000	3,590,000	25%
11,000,000	2,845,000	3,115,000	3,426,500	20%	11,000,000	3,215,000	4,040,000	4,444,000	38%
12,000,000	3,195,000	3,465,000	3,811,500	19%	12,000,000	3,565,000	4,490,000	4,939,000	39%
13,000,000	3,545,000	3,815,000	4,196,500	18%	13,000,000	3,915,000	4,940,000	5,434,000	39%
14,000,000	3,895,000	4,165,000	4,581,500	18%	14,000,000	4,265,000	5,390,000	5,929,000	39%
15,000,000	4,245,000	4,515,000	4,966,500	17%	15,000,000	4,615,000	5,840,000	6,424,000	39%

AMENDMENTS TO THE SALES TAX ACT, 1990

1. The Amended Bill has proposed to introduce a timeline of 60 days for a person to file his return where an Order is passed under the best judgement assessment due to failure of furnishing sales tax return in response to a notice.
2. The Amended Bill has proposed widen the scope of the definition of "Tax Fraud" by including collusion and deliberate act as reasons where an Assistant Commissioner may suspect that a person has short paid or not paid sales tax, or claimed inadmissible input tax credit or has obtained an undue refund.
3. The Amended Bill has withdrawn the provisions of Investigative Audit.
4. The Amended Bill has proposed to introduce a new wing titled as "Tax Fraud Investigation Wing-Inland Revenue", whereby their main objective would be to detect, analyze, investigate, combat and prevent tax fraud and shall comprise of the following units:

   a. Fraud Intelligence and Analysis Unit;
   b. Fraud Investigation Unit;
   c. Legal Unit;
   d. Accountants Unit;
   e. Digital Forensics and Scene of Crime Unit;
   f. Administrative Unit;
   g. Or any other Unit as notified by the Board.

   Moreover, the wing would comprise of a Chief Investigator and as many officers as may be notified for the following:

   a) Senior Investigators, Investigators, Junior Investigators, or any other officer of the Inland Revenue with any other designation;
   b) A Senior Forensic Analyst and as many Forensic Analysts and Junior Forensic Analysts; and
   c) A Senior Data Analyst and as many Data Analysts and Junior Data Analysts.

   Moreover, the Board shall specify the functions and jurisdictions of the wing, its units, officers and the shall confer powers of authorities as specified in section 30. Furthermore, the Amended Bill has proposed that nothing under this section would prevent the authorities from conducting investigation and prosecution as laid down as Offences and Penalties under Chapter-VII of the Act.

5. The Amended Bill has increased the threshold from up to Rs 500 million to less than Rs 1 Billion where a person could be imprisoned for 5 years for committing tax fraud.
6. The Amended Bill has omitted the provisions inserted by the Finance Bill, whereby offences under the STA could have been punished for a period exceeding up to ten years.
7. The Amended Bill has proposed that default surcharge would be the higher of 12% per annum or Kibor +3% per annum.
8. The Amended Bill has proposed to extend the date from 16th June 2024 to 31st December 2024 for cases which were supposed to be transferred to the Hon'ble Appellate Tribunal Inland Revenue ("ATIR") upon enactment of the Tax Laws (Amendment) Act, 2024.

9. The Amended Bill has proposed to further specify that payment of the amount for a transaction exceeding value of Rs 50,000 in aggregate would be disallowed and would apply to a single supplier in a tax period.

10. The Amended Bill has proposed to restore the following in the Sixth Schedule, which had earlier been withdrawn vide the Finance Bill:

a. Newsprint and books excluding brochures, leaflets, and directories; (Also removed from the Eighth Schedule)

b. Exercise Books; (Also removed from the Eighth Schedule)

c. Various cardiology/cardiac surgery, neurovascular, electrophysiology, endosurgery, endoscopy, oncology, urology, gynecology, disposables and other equipment;

d. Supplies and imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas;

e. Supplies of electricity as made from the date of assent of the Constitution (Twenty-fifth Amendment) Act, 2018; (Also removed from the Eighth Schedule)

f. Goods excluding electricity and natural gas supplied to hospitals run by charitable hospitals of beds or more;

Furthermore, the Amended Bill has proposed to extend exemptions on supplies and imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas till 30th June 2025.

Moreover, in case of imports, the Customs authorities shall allow clearance upon receipt of pay orders instead of post-dated cheques and the same shall be returned within six months of presentation.

11. The Amended Bill has proposed to insert the following in the Sixth Schedule:

a. Supply of Electricity to Azad Jammu and Kashmir;
b. Import of gold under the entrustment scheme under SRO 760(I)/2013;
c. Import of cystagon, cysta drops and trientine capsules (for personal use only); and
d. Bovine Semen.

12. The Amended Bill has proposed to amend Table 2 of the Sixth Schedule: (changes marked in red)

1.	Milk excluding that sold under a brand name or supplied by corporate dairy farms.
2.	Iron and steel ~~scarp~~ scrap excluding supplied by manufacturer-cum-exporter of recycled copper, authorized under Export Facilitation Scheme, 2021.

13. The Amended Bill has proposed the following for the Eighth Schedule:

a. To restore locally manufactured Hybrid electric vehicles into the Eighth Schedule and such shall apply till 30.06.2026. (Previous rates for up to 1800cc were 8.5% and from 1801cc to 2500cc at 12.75%.)

b. To omit supplies of electricity made to residential and commercial consumers in tribal areas which were set for industrial production.

c. To omit conditions set to obtain reduced rates for local supplies of poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal.

AMENDMENTS TO FEDERAL EXCISE ACT, 2005

1. The Amended Bill has proposed that the term "Board" shall have the same meaning as the Income Tax Ordinance, 2001 ("ITO").

2. The Amended Bill has proposed that default surcharge would be the higher of 12% per annum or Kibor +3% per annum.

3. The Amended Bill has proposed to introduce a new wing titled as "Tax Fraud Investigation Wing-Inland Revenue", whereby their main objective would be to detect, analyze, investigate, combat and prevent tax fraud and shall comprise of the following units:

   a. Fraud Intelligence and Analysis Unit;
   b. Fraud Investigation Unit;
   c. Legal Unit;
   d. Accountants Unit;
   e. Digital Forensics and Scene of Crime Unit;
   f. Administrative Unit;
   g. Or any other Unit as notified by the Board;

   Moreover, the wing would comprise of a Chief Investigator and as many officers as may be notified for the following:

   a) Senior Investigators, Investigators, Junior Investigators, or any other officer of the Inland Revenue with any other designation.

   b) A Senior Forensic Analyst and as many Forensic Analysts and Junior Forensic Analysts; and

   c) A Senior Data Analyst and as many Data Analysts and Junior Data Analysts.

   Moreover, the Board shall specify the functions and jurisdictions of the wing, its units, officers and the shall confer powers of authorities as specified in section 27. Furthermore, the Amended Bill has proposed that nothing under this section would prevent the authorities from conducting investigation and prosecution as laid down in Chapter-III of the Act.

4. The Amended Bill has proposed to extend the date from 16th June 2024 to 31st December 2024 for cases which were supposed to be transferred to the Hon'ble Appellate Tribunal Inland Revenue ("ATIR") upon enactment of the Tax Laws (Amendment) Act, 2024.

5. The Amended Bill has proposed to enhance the FED Rate of Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers from 3% to 4% which had earlier been 2% before the Finance Bill, 2024.

6. The Amended Bill has shifted the FED on allotment or transfer of commercial property from the Table I to Table II, and shall be chargeable in the following manner:

S. No.	Description	Rate of Duty
1.	Allotment/ transfer of commercial property and 1st allotment of open plots or residential property by a developer / builder in the mode or manner as prescribed by the Board.	In case of: 1. Buyer's Name appears in the ATL List on the date of acquisition of the property- 3% of the gross amount of consideration. 2. Buyer has not filed his return on or before the due date- 5% 3. Buyer's Name does not appeal on the ATL List- 7%
2.	Supply of white crystalline sugar by any person to a manufacturing, processing or packaging entity.	Rs 15 per KG.

7. The Amended Bill has proposed to levy 5% ad valorem FED on Lubricating Oil.

8. The Amended Bill has reduced the rate of Minimum price for selling Cigarettes at a retail price (excluding sales tax) from 60% of the retail price to 55%.

9. The Bill has proposed to introduce FED on the services provided by air of passengers embarking on international journey from Pakistan in the following manner:

S. No.	Description	Rate of Duty		% Increase
		Old	New	
1	Economy and economy plus air tickets issued on or after 01.07.2024	Rs 5,000/-	Rs 12,500/-	150%
2	Club, business and first-class tickets issued on or after 01.07.2024:			
	a. IATA Traffic Conference Area 1 (North, Central, South America and Environs)	Rs 250,000/-	Rs 350,000/-	40%
	b. IATA Traffic Conference Area 2: (i) Middle East and Africa; (ii) Europe	Rs 75,000/- Rs 150,000/-	Rs 105,000/- Rs 210,000/-	40% 40%
	c. IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands	Rs 150,000/-	Rs 210,000/-	40%

AMENDMENTS IN THE FINANCE ACT 2022 (CAPITAL VALUE TAX)

1. The Amended Bill has proposed to insert a new proviso whereby, capital value tax (“CVT”) on farmhouse and residential house, shall be subject to CVT on the basis of area of farmhouse irrespective of the value.
2. The Amended Bill has proposed that the term “farmhouse” would have the same meaning as defined in the Income Tax Ordinance, 2001 and that CVT shall apply to farmhouses and residential houses within the territorial limits of the Islamabad Capital Territory (“ICT”).
3. The Amended Bill has proposed that CVT on farmhouses and residential houses in the ICT would be liable to pay tax at the time the income tax return for the tax year is due.
4. The Amended Bill has introduced the following in the Table in the First Schedule in the following manner:

S. No	Description	Existing Rates	Amended Rates
2	Farmhouses within the territorial limits in the ICT	None	Rs 500,000/- where area falls between 2,000sq. yrds to 4,000 sq. yrds. Rs 1,000,000 where area exceeds 4,000 sq yrds.
3	Residential Houses within the territorial limits in the ICT	None	Rs 1,000,000/- where area falls between 1,000 sq. yards to 2,000 sq. yrds. Rs 1,500,000/- where area exceeds 2,000 sq. yrds.