

Proposed Tax Amendments - Succinctly Recount

Detail commentary will be released soon

Prepared by:



Income Tax:

- **Amendments in Part I, Division I of the First Schedule (Income Tax Ordinance, 2001) – Salaries Class Slab:**

The Government has provided relief to salaried individuals by revising the tax slab for those earning between PKR 600,000 and PKR 1,200,000, reducing the rate from 5% to 1%.

For those earning Rs. 1,200,000, the tax amount has been reduced from Rs. 30,000 to a minimum of Rs. 6,000.

For those earning up to Rs. 2,200,000, the proposed tax rate is reduced from 15% to 11%. For individuals earning more than Rs. 2,200,000 and up to Rs. 3,200,000, the proposed tax rate is reduced from 25% to 23%. These proposed reductions aim to lower the tax burden and provide relief to the salaried class.

The updated slab is reproduced below:

S.#	Taxable Income	Rate of Tax
1	Up to Rs. 600,000	0%
2	Rs. 600,001 – Rs. 1,200,000	1% of amount exceeding Rs. 600,000
3	Rs. 1,200,001 – Rs. 2,200,000	Rs. 6,000 + 11% of amount exceeding Rs. 1,200,000
4	Rs. 2,200,001 – Rs. 3,200,000	Rs. 116,000 + 23% of amount exceeding Rs. 2,200,000
5	Rs. 3,200,001 – Rs. 4,100,000	Rs. 346,000 + 30% of amount exceeding Rs. 3,200,000
6	Above Rs. 4,100,000	Rs. 616,000 + 35% of amount exceeding Rs. 4,100,000

(Detailed comparison of Income Tax for Salary Individuals Proposed for Tax Year - 2025 & 2026 is enclosed herewith as Annexure-A)

- **Amendment in Section 4AB**

Section 4AB has been amended, thereby reducing the surcharge on individuals and associations of persons (AOPs) whose taxable income exceeds PKR 10 million in a tax year by 1% to 9% from the previous surcharge rate of 10%.

- **Amendment in Division IIB of the First Schedule - Super Tax Rates**

The existing **tax rate table** for **super tax on high-income persons** under **Section 4C** has been **replaced** with rates that are **slightly reduced** (by 0.5%) for most slabs starting from **tax year 2026**.

New Super Tax Rates under Section 4C		
S. No	Income Range (Rs.)	Tax Year 2026 & Onwards
1	Up to 150 million	0%
2	150M – 200M	1%
3	200M – 250M	1.50%
4	250M – 300M	2.50%
5	300M – 350M	3.50%
6	350M – 400M	5.50%
7	400M – 500M	7.50%
8	Above 500 million	10%

- **Amendment – Division IIIA of the First Schedule (Rate for Profit on Debt under Section 7B)**

The rate of tax for profit on debt imposed under section 7B has been proposed to be increased from 15% to 20%.

- **Amendment- Part I of the First Schedule (Division I)**

Pension and Gratuity Tax: For individuals earning over Rs. 10,000,000 annually from pensions a proposal has been made to introduce a tax rate of 5%.

- **231AB - Advance tax on cash withdrawal.**

Advance tax rate on cash withdrawal on non-filers has been proposed to be increased from 0.6% to 0.8%

- For **commercial immovable properties**, the fair market rent shall be **at least 4% of the property's fair market value per annum**, as per Section 68.

This minimum threshold **will not apply** if the taxpayer **provides satisfactory evidence** to the Commissioner proving that the actual rent is lower.

- **Section 63A – Tax Credit for Interest on Low-Cost Housing Loan:**
This section allows an individual to claim a tax credit on interest paid on a housing loan used for the purchase or construction of a single personal residence, with size caps of 2,500 sq. ft. for houses and 2,000 sq. ft. for flats. The loan must be obtained from a scheduled bank, financial institution regulated by SECP, a public sector entity, or a listed company, thereby encouraging formal sector borrowing.
- **Section 6A - Tax on payments for digital transactions in e-commerce platforms.**
The finance bill has proposed a tax that shall be imposed on every person who receive payment for supply of digitally ordered goods or services which are delivered online platforms such as online marketplace or websites.
- **Tax on Mutual Funds**
In Part I in Division III, new Clause (ba) shall be added that proposes tax on mutual funds at the rate of 25% for debt-based funds and 15% for equity-based funds.
- **Section 114C — Restriction on Economic Transactions by Certain Persons**
The bill has proposed Section 114C introduces a framework to restrict high-value economic transactions—such as purchase of vehicles, immovable property, and securities—for individuals and entities who have not filed income tax returns or cannot justify their financial capacity through formally declared resources. By mandating that only "eligible persons" with sufficient declared assets can engage in such transactions.
- **Section 175AA: Exchange of banking and tax information related to high-risk persons**
A new Section 175AA is proposed to be inserted into the Income Tax Ordinance, 2001, empowering the FBR to share tax-related information of high-risk persons with scheduled banks in Pakistan. This includes details such as turnover, income (including taxable income) for one or more tax years, identification data (including bank account numbers) declared in income tax returns, wealth statements, financial statements, or any other document submitted to the FBR, along with data-based algorithms as may be prescribed.

Sales Tax:

- A proposal has been made to impose an 18% tax on the sales of Imported solar panels to ensure fair competition between imported and locally manufactured solar panels.
- To ensure competitive, fairness, and complete compliance with tax laws, it is proposed that E-commerce Platforms and entities providing Logistics services will collect and deposit sales tax at an 18% rate from the E-commerce Platforms.
- To standardize sales tax, it's proposed that hybrid cars will also be subject to an 18% sales tax, aligning them with petrol and diesel vehicles.
- 10% sales tax on goods will now be gradually imposed over the next five years in these sales tax exempt provinces i.e. Fata and Balochistan.

Upon perusal of the above, it is unclear whether the afore-mentioned proposals shall be included in the Finance Bill, 2025-26.

- **Section 14AC – Bar on operations of bank accounts**

Commissioner shall have the powers to direct banking companies to bar operation of the bank account of any person who fails to get registered under the tax laws.

Customs Reforms and Modernization

The government is introducing significant customs reforms to enhance efficiency and bolster economic and industrial protection. Key initiatives include:

- **Intelligence Led System:** A new customs system, driven by intelligence and data, is being implemented to streamline tax policy and enforcement under "Border Enforcement." This expands border control beyond traditional surveillance to a new global system.
- **Pre-Arrival Clearance:** "Pre-Arrival Clearance" for goods at various ports is being promoted to expedite the clearance process.
- **Reduced Litigation:** Legal amendments are being introduced to significantly reduce the time containers spend awaiting clearance due to litigation.
- **Carbon Tax:**

To promote green energy and support related programs, a new "Carbon Levy" will be introduced on furnace oil and high-speed diesel. Starting in fiscal year 2025-26, this levy will be Rs. 2.5 per liter, increasing to Rs. 5 per liter in fiscal year 2026-27. The Federal Government will also finalize an agreement on the "Petroleum Levy."

Annexure-A

Income Tax Comparison for Salary Individuals Tax Year - 2025 & 2026

S. No.	Salary Income Per Month	Annual Income	Tax Year - 2025		Tax Year - 2026 (Proposed)		Difference (Including Surcharge)
			Tax Payable	Surcharge @10% (Taxable Income exceeding 10 Million)	Tax Payable	Surcharge @9% (Taxable Income exceeding 10 Million)	
1	50,000	600,000	-	-	-	-	-
2	100,000	1,200,000	30,000	-	6,000	-	(24,000)
3	200,000	2,400,000	230,000	-	162,000	-	(68,000)
4	300,000	3,600,000	550,000	-	466,000	-	(84,000)
5	400,000	4,800,000	945,000	-	861,000	-	(84,000)
6	500,000	6,000,000	1,365,000	-	1,281,000	-	(84,000)
7	600,000	7,200,000	1,785,000	-	1,701,000	-	(84,000)
8	700,000	8,400,000	2,205,000	-	2,121,000	-	(84,000)
9	800,000	9,600,000	2,625,000	-	2,541,000	-	(84,000)
10	900,000	10,800,000	3,045,000	304,500	2,961,000	266,490	(122,010)
11	1,000,000	12,000,000	3,465,000	346,500	3,381,000	304,290	(126,210)

Annexure-A

Income Tax Comparison for Salary Individuals Tax Year - 2025 & 2026

Yearly Salary	Present Tax Liability	Proposed Tax Liability	%
Rs	Rs	Rs	
600,000	-	-	0%
1,000,000	20,000	4,000	-80%
1,500,000	75,000	39,000	-48%
2,000,000	150,000	94,000	-37%
2,500,000	255,000	185,000	-27%
3,000,000	380,000	300,000	-21%
3,500,000	520,000	436,000	-16%
4,000,000	670,000	586,000	-13%
4,500,000	840,000	756,000	-10%
5,000,000	1,015,000	931,000	-8%
5,500,000	1,190,000	1,106,000	-7%
6,000,000	1,365,000	1,281,000	-6%
6,500,000	1,540,000	1,456,000	-5%
7,000,000	1,715,000	1,631,000	-5%
7,500,000	1,890,000	1,806,000	-4%
8,000,000	2,065,000	1,981,000	-4%
8,500,000	2,240,000	2,156,000	-4%
9,000,000	2,415,000	2,331,000	-3%
10,000,000	2,765,000	2,681,000	-3%

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