

BRIEF ON SINDH FINANCE BILL 2024



COMMENTS ON FINANCE BILL – 2024

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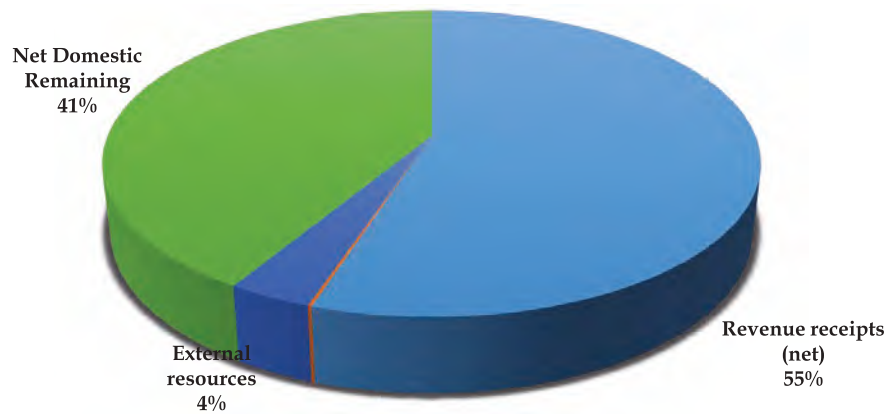
REANDA HAROON ZAKARIA ASSOCIATES

June 12, 2024

BUDGET 2024 AT A GLANCE

=== Rupees in Billion ===

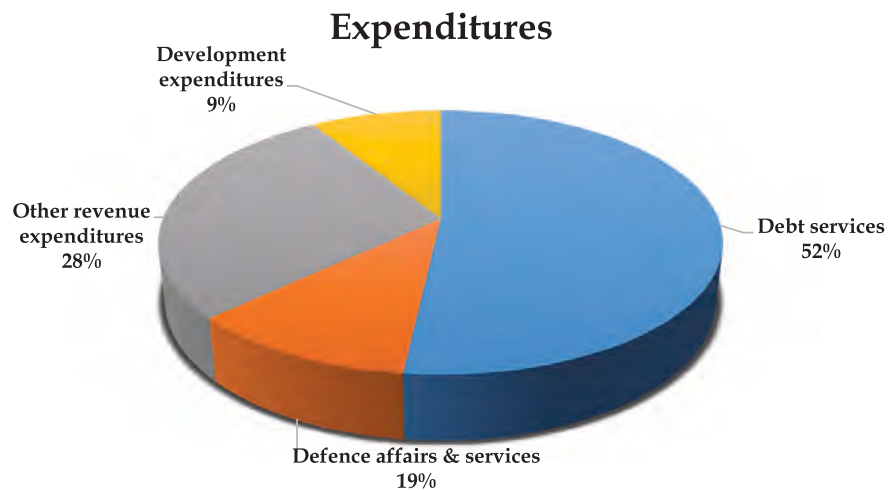
	<u>2024-25</u>	<u>2023 -24</u> <u>Revised</u>
<u>RESOURCES</u>		
Internal resources		
Revenue receipts (net)		
Direct tax	5,512	3,721
Indirect tax	7,458	5,531
Non tax revenue	4,845	2,948
Less: Provincial share	(7,438)	(5,427)
Privatization Proceeds	30	-
	<u>10,407</u>	<u>6,773</u>
External resources	666	5,053
	<u>11,073</u>	<u>11,826</u>
Net Domestic Remaining	7,804	2,728
	<u>18,877</u>	<u>14,554</u>



EXPENDITURES

Current expenditures	17,203	14,232
Development expenditures (PSDP)	1,674	322
	<u>18,877</u>	<u>14,554</u>

	=== Rupees in Billion ===	
	<u>2024-25</u>	<u>2023 -24</u> <u>Revised</u>
<u>Revenue Receipts (Gross)</u>		
Direct tax	5,512	3,721
Indirect tax		
Customs	1,591	1,324
Sales Tax	4,919	3,607
Federal Excise	948	600
	<u>12,970</u>	<u>9,252</u>
<u>EXPENDITURES</u>		
Debt services	9,775	8,251
Defence affairs & services	2,122	1,854
Other revenue expenditures	5,306	4,127
	<u>17,203</u>	<u>14,232</u>
Development expenditures	1,674	322
	<u>18,877</u>	<u>14,554</u>



ECONOMIC INDICATORS

External Sector		2022-23 Jul-Apr	2023-24 Jul-Apr	% Change
Remittances (\$ Billion)		23.0	23.8	▲ 3.5%
Exports FOB (\$ billion)		23.2	25.7	▲ 10.6%
Imports FOB (\$ billion)		45.8	43.4	▼ 5.3%
Current Account Deficit (\$ billion)		3.9	0.2	▼ 94.8%
FDI (\$ million)		1,348.8	1,457.9	▲ 8.1%
Portfolio Investment (\$ million)		-1,007.4	-798.6	▼
Total Foreign Investment (\$ million)		341.4	659.3	▲ 93.1%
Forex Reserves (\$ Billion)	Total	9.435	14.316	-
	SBP	3.972	9.095	-
	Banks	5.463	5.221	-
		24-May-23	24-May-24	
Exchange Rate (PKR/US\$)		287.14	278.21	-
		24-May-23	24-May-24	

Source: SBP

Fiscal Sector (Rs. Billion)	2022-23 (Jul-Mar)	2023-24 (Jul-Mar)	% Change
FBR Revenue (Jul-Apr)	5,638	7,362	▲ 30.6%
Non-Tax Revenue (Federal)	1,241	2,417	▲ 94.8%
PSDP (Federal)	329	322	▼ 2.2%
Fiscal Deficit	3,079	3,902	▲ 26.8%
Primary Balance	503.8	1615.4	▲

Source: FBR & Budget Wing

Monetary Sector	2022-23	2023-24	% Change
Agriculture Credit (Provisional) Jul-Mar	1,221.9	1,635.2	▲ 33.8%
Credit to Private Sector (Flows)	127.6	77.0	▼ 39.7%
	1-Jul to 5-May	1-Jul to 3-May	
Growth in M2 (percent)	7.0	7.1	-
	1-Jul to 5-May	1-Jul to 3-May	
Policy Rate (percent)	21.00	22.00	-
	4-Apr-23	29-Apr-24	

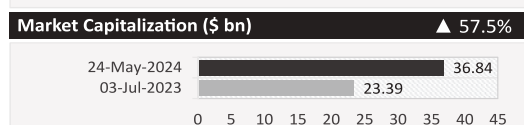
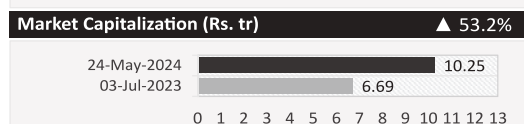
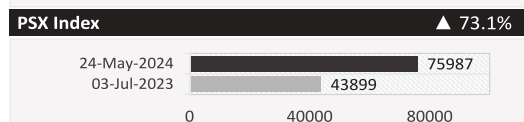
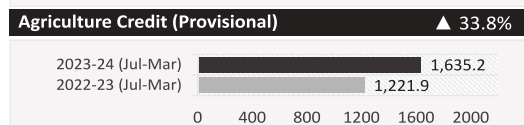
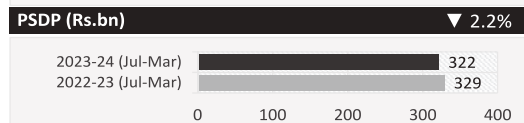
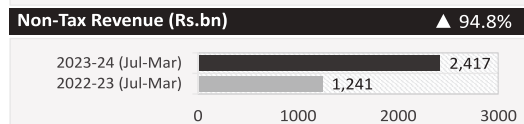
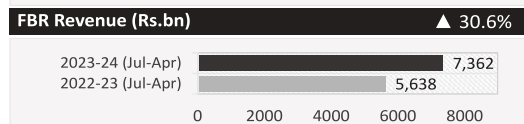
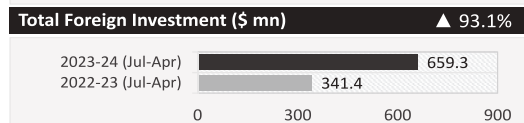
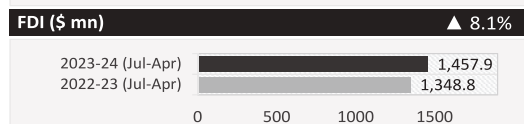
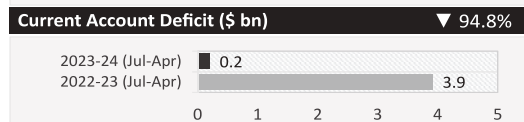
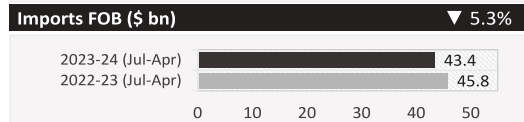
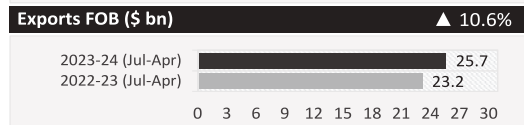
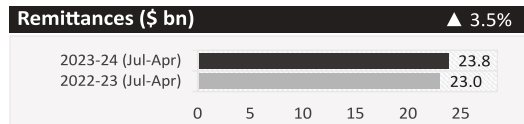
Source: SBP

Inflation	2022-23	2023-24	% Change
	36.4	17.3	-
	(Apr)	(Apr)	
CPI (National) %	28.2	26.0	-
	(Jul-Apr)	(Jul-Apr)	

Real Sector	2022-23	2023-24	% Change
	-26.35	2.04	-
	(Mar)	(Mar)	
Large Scale Manufacturing (LSM) %	-6.99	-0.10	-
	(Jul-Mar)	(Jul-Mar)	
PSX Index *	43899	75987	▲ 73.1%
	3-Jul-23	24-May-24	
Market Capitalization (Rs trillion)	6.69	10.25	▲ 53.2%
	3-Jul-23	24-May-24	
Market Capitalization (\$ billion)	23.39	36.84	▲ 57.5%
	3-Jul-23	24-May-24	
Incorporation of Companies (Jul-Apr)	27,752	22,924	▼ 17.4%

* : Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP



FINANCE BILL 2024

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SALIENT FEATURES

FINANCE BILL 2024

The purpose of this bill is to make financial provisions for the year beginning on the first day of July, 2024 and it shall come into force on the first day of July, 2024.

INCOME TAX ORDINANCE, 2001

- Seeks to revise tax rates for non-salaried individuals, associations of persons, and salaried individuals.
- Seeks to introduce a flat 15% tax rate on gains from the disposal of immovable property acquired on or after 01st July, 2024, applicable to filers regardless of the holding period.
- Seeks to implement a flat 15% tax rate on capital gains from the sale of securities acquired on or after 01 July, 2024, applicable to filers, irrespective of the holding period.
- Seeks to grant exemption certificate u/s 153 of the Income Tax Ordinance, 2001 by Commissioner at reduced rate.
- Seeks to increase the tax rate on dividend income derived from mutual funds that earn 50% or more of their income from profit on debt from 15% to 25%.
- Seeks to increase the advance tax rate on profit on debt for non-filers from 30% to 35% in order to enhance the cost of non-compliance.
- Seeks to shifts tax collection for motor vehicles from engine capacity to a percentage of their value, aiming to capture the true potential of tax amidst rising vehicle prices.
- Seeks to enhance reduce rate on supply of cigarettes from 1% to 2.5%
- Seeks to extend the five-year exemption from income tax and withholding taxes for FATA/PATA regions, which was originally effective from July 1, 2018, and extended

until June 30, 2024. The new proposal aims to further extend this exemption for an additional year until June 30, 2025.

- Seeks to extend the Board's powers under the Income Tax Ordinance, 2001 to the Member of the Board if delegated under Section 8 of the Federal Board of Revenue Act, 2007.
- Seeks to extend withholding requirements on share purchases with deferred consideration under Section 37(6).
- Seeks to extend the period for carrying forward losses for Pakistan International Airlines Corporation from six to ten years.
- Seeks to clarify that only income from coal mining projects in Sindh supplying coal to power generation projects is eligible for tax credit not entire income of such persons.
- Seeks to remove the exemption on share of income for members of associations of persons with turnover exceeding Rs. 300 million unless audited financial statements are filed.
- Seeks to increase the tax rates on sale and purchase of property for persons appearing in Active Taxpayers List but filed return after due date.
- Seeks to disallow 25% of sales promotion, advertisement, and publicity expenses when royalties are paid to associates.
- Seeks to enforce return filing by restricting foreign travel for certain persons.
- Seeks to require individuals to include foreign asset details in wealth statements upon the Commissioner's request.
- Seeks to allow the Commissioner to proceed with best judgment assessment if a business discontinuance return is not filed after notice.

- Seeks to remove Rs. 20 million pecuniary limits for Commissioner revisions of Inland Revenue Officer orders.
- Seeks to clarify the phrase "value of assessment" for appeal limits and extend the transfer date for appeals exceeding Rs. 20 million to September 16, 2024.
- Seeks to align provisions with pecuniary limits introduced in the Tax Laws (Amendment) Act, 2024.
- Seeks to allow only High Court challenges to Commissioner (Appeals) orders, not the Appellate Tribunal Inland Revenue.
- Seeks to estimate turnover for advance tax at 120% of the latest year's turnover if not known or provided.
- Seeks to grant the Commissioner power to reject estimates under Section 147(6).
- Seeks to allow the Board to determine the minimum value of goods for advance tax collection at import stage and include this value in the definition for consistency.
- Seeks to restrict payments without tax deduction through applications u/s 152(4A).
- Seeks to empower the Commissioner to allow reduced tax deduction rates on payments, upon application and inquiry.
- Seeks to exclude exports of goods from the Final Tax Regime and consider the tax deducted on export as minim tax regime. Further imposition of additional advance tax at the rate of 1% of export proceeds, which is adjustable.
- Seeks to introduce penalties for non-filing of returns, non-registration, non-compliance with general orders, failure to withhold tax on shares, and incomplete return details.
- Seeks to introduce prosecution for not furnishing return under Section 117(3) on business discontinuance.

- Seeks to introduce prosecution for non-furnishing of complete return details and non-compliance with registration requirements.
- Seeks to increase the default surcharge rate under Section 205 from 12% to "KIBOR + 3%," changing from a fixed to a variable rate.
- Seeks to allow the sharing of information with the National Database and Registration Authority (NADRA) for broadening the tax database.
- Seeks to apply withholding tax u/s 236G & u/s 236H across the board without any specific sector. Additionally, the advance tax rate for non-filers among dealers, distributors, wholesalers is being increased from 0.2% to 2%, and for retailers from 1% to 2.5%.
- Seeks to specify that the time limitation for filing appeals before the Appellate Tribunal and references before the High Court for orders received prior to the Tax Laws Amendment (Act), 2024, shall follow the timelines specified in the Tax Laws Amendment (Act), 2024.
- Seeks to withdraw the reduction in tax liability available to full time teachers and researchers.

SALES TAX ACT, 1990

- Seeks to expand the scope of tax fraud to include various activities such as suppression of sales, false claims, and falsification of records.
- It has been proposed that the Sales Tax Invoice shall be issued at the time of delivery or at the time when any payment is received by the supplier in respect of that supply, whichever is earlier.
- The scope for fixation of Value of Supply by the Board has been proposed to be expanded and shall also include goods subjected to charge at retail price, under Third Schedule to the Sales Tax Act, 1990.
- Limitation for Appeal Effect has been proposed to be expanded from one year to two years from the end of financial year.
- By virtue of amendment 'Best judgement Assessment', under section 11D of the Sales Tax Act, 1990, has been proposed to be inserted, whereby Officer Inland Revenue, not below the rank of Assistant Commissioner, is authorized to pass assessment order on the basis of available information and record.
- Mandatory condition has been proposed to be inserted for the Commissioner to issue Blacklisting order before Blacklisting registration of the registered person.
- The Chief Commissioner has been proposed to be empowered to examine the Blacklisting order issued by the Commissioner, either by his motion or on application made by the registered person and make necessary order as he may deem fit.
- It has been proposed to insert a provision of 'Investigative Audit', under section 25AB of the Sales Tax Act, 1990.
- The Officer Inland Revenue has been proposed to be empowered to require any person to furnish return who, in his opinion, is required to file a return under section 26(2A) of the Sales Tax Act, 1990.

- It has been proposed to increase the conviction of person who commits, causes to commit or attempts to commit the tax fraud, or abets or connives in commissioning of tax fraud.
- It has been proposed to insert penalty for licensed integrators who failed to integrate in the manner as required under Sales Tax Act, 1990.
- It has been proposed to substitute 'twelve percent' Default Surcharge to 'KIBOR plus three percent'.
- It has been proposed to exclude the Blacklisting Order from the scope of Appeals before Appellate Tribunal.
- DAP Fertilizer is proposed to be brought into the scope of Third Schedule.
- Local supply of stationery is proposed to be brought into the scope of reduced rate.
- Milk excluding those sold in retail packing is proposed to be Exempt from Sales tax.
- Fat-filled Milk and Milk sold in retail packaging are proposed to be excluded from zero rated scheme.
- Local supply of goods to persons registered under Export Facilitation Scheme, 2001, are proposed to be excluded from zero rated scheme.
- Edible Vegetable and Fruit imported from Afghanistan are proposed to be excluded from exemption.
- Newsprint and books are brought up into the scope of reduced tax at the rate ten percent.
- Colors, Writing, drawing and making inks, Erasers, Exercise books, Pencil sharpeners other drawing, marking out or mathematical calculating instruments (geometry box), Pens, ball pens, markers, porous tipped pens and Pencils are brought up into the scope of reduced tax at the rate ten percent.

- Exemptions on import and supply of cardiology/cardiac surgery, neurovascular, electrophysiology, endosurgery, endoscopy, oncology, urology, gynecology, disposables, Diagnostic kits and other equipment has been proposed to be withdrawn.
- By virtue of the amendment supplies and imports of Plant & Machinery issued to tribal areas till 30th June 2026 are proposed to be brought into the scope of reduced tax.
- It has been proposed to impose reduced rate of sales tax on supply of electricity till 30th June 2026 to residential and commercial consumers in tribal areas.
- Exemption on supply of goods to charitable Hospitals has been proposed to be withdrawn.
- Exemption on Imports by Non-profitable institutions are proposed to be withdrawn.
- Tractors, Oil Cake and other solid residues are proposed to be charged at reduced rate.
- It has been proposed to exempt sales tax on MS(Petrol), High Speed Diesel, Kerosene and Light Diesel Oil.
- Vermicillies, sheer mal, bun and rusk are proposed to be taxed at reduced rate.
- Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal are proposed to be taxed at reduced rate.
- Local supply of Iron and steel scrap is subjected to be exempt from chargeability of sales tax.
- Supplies of LPG, textile, leather, artificial leather and locally manufactured Hybrid electric vehicle are proposed to be charged at standard rate.
- The rate of sales tax on imported PC's, laptops, notebooks has been proposed to be increased.
- Supply of Medicaments are proposed to be charged at standard rate.

- It has been proposed to charge sales tax at standard rate on Mobile phones (other than mobile phones valuing exceeding US\$ 500 which will remain chargeable to existing rate of 25%).
- Registered person engaged in the supply of Lead Batteries, Cement, coal, wastepaper and paper board, plastic waste, crush stone and silica are proposed to withheld eighty percent of sales tax applicable.

FEDERAL EXCISE ACT, 2005

- Seeks to impose Federal Excise Duty at Rs. 44,000 on Acetate Tow, Nicotine Pouches at Rs. 1200 per KG.
- Seeks to enhance Federal Excise Duty on e-liquids, cement from Rs. 2 to Rs. 3 per KG.
- Seeks to impose Federal Excise Duty at Rs. 15 per KG on supply of sugar to manufacturers.
- Seeks to impose Federal Excise Duty at 5% on commercial and first sale of residential properties.
- Seeks to enhance Federal Excise Duty from Rs. 1500 per KG to Rs. 80,000 per KG on filter rod.
- Seeks to empower the Authorities to seal the business premises of retailers unlawfully and illegally selling cigarettes.
- Seeks to provide exemption of Federal Excise Duty to diplomats and diplomatic mission.
- Seeks to enhance the price from Rs. 9,000 to Rs. 12,500 per KG for locally manufactured cigarettes.

CUSTOMS ACT, 1969

- Seeks to expand the scope of Act to regulate the trade of Nuclear and Radio Active Material, as defined in the Pakistan Nuclear Regulatory Authority Ordinance, 2001.
- Seeks to establish Directorate General of National Targeting Center & Director General of Trade Based Money Laundering.
- Seeks to Exempt Additional Customs Duties on raw material of Fluids and Powders for use in Hemodialyzers.
- Seeks to Exempt Customs duties on Bovine lipid extract surfactant.
- Seeks to impose and increase Regulatory Duty on certain items in order to encourage the local manufacturing industries.
- Seeks to rationalize Regulatory Duty on import of new and used vehicles, Import of Containers for Aerosol Products, import of parts of submersible pumps and import of Wheat, Sugar, HSD, LNG.
- Seeks to impose and increase Regulatory Duty on flat rolled products of iron and non-alloy steel.
- Seeks to withdraw the exemption of Regulatory Duty on import of ground nuts and margarine imported by Food Confectionary.
- Seeks to withdraw Regulatory Duty on import of Sliver cans and Lollipop sticks.
- Seeks to withdraw different concession of customs duties on import of fresh & dry fruits, import of hybrid vehicles, inputs for Home Appliances.
- Seeks to reduce concession of customs duties on import of Electric vehicles having value above US\$ 50,000.
- Seeks to provide the incentives for manufacturing of Solar Panels and Allied Equipment.

- Seeks to levy additional customs duty on localized auto parts to incentivize local manufacturing sector.
- Seeks to restructure the mechanism of filing and disposal of appeals and references filed before Appellate Tribunal and High Court respectively.
- Seeks to increase the amount of the penalties in order to curb the smuggling by amending the Section 156 of the Customs Act, 1969.

INCOME TAX

The purpose of this bill is to make financial provisions for the year beginning on the first day of July, 2024 and it shall come into force on the first day of July, 2024.

SECTION	PRESENT POSITION	PROPOSED AMENDMENT THROUGH FINANCE BILL 2024
2(8)	<p>Board</p> <p>“Board” means the Central Board of Revenue established under the Central Board of Revenue Act, 1924 (IV of 1924), and on the commencement of Federal Board of Revenue Act, 2007, the Federal Board of Revenue established under section 3 thereof;</p>	<p><i>The powers of the Board under the Income Tax Ordinance, 2001 have been proposed to be extended to the Member of the Board if delegated under section 8 of the Federal Board of Revenue Act, 2007.</i></p> <p>“Board” means the Central Board of Revenue established under the Central Board of Revenue Act, 1924 (IV of 1924), and on the commencement of Federal Board of Revenue Act, 2007, the Federal Board of Revenue established under section 3 thereof; and includes 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;</p>

37(6)	<p>Capital gains</p> <p>The 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.</p>	<p><i>(i) It has been proposed to extend the requirement for withholding on purchase of shares under section 37(6) of the Income Tax Ordinance, 2001 on purchases made against deferred consideration.</i></p> <p><i>(ii) It is further proposed that the withholding shall be made at the time of payment or at the time of registration of shares in the name of new owner whichever is earlier; meaning thereby withholding shall be applicable on every transaction whether or not consideration is paid at the time of transaction.</i></p> <p>The person acquiring a capital asset, being shares of a company, shall deduct advance adjustable tax from the gross amount paid or payable as consideration for the shares 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 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.</p>
57(2C)	<p>Carry forward of business losses</p> <p>Non-Existent</p>	<p><i>The period for carry forward of losses in case of Pakistan International Airlines Corporation has been proposed to be extended for a period of ten years instead of otherwise six years.</i></p> <p>Where a loss, referred to in sub-section (2), relating to a tax year commencing on or after the first day of January, 2017 is sustained by Pakistan International Airlines Corporation Limited, the said loss shall be carried forward for a period of ten years.”;</p>

65F(1)(b)	<p>Tax credit for certain persons.</p> <p>(b) a startup as defined in clause (62A) of section 2 for the tax year in which the startup is certified by the Pakistan Software Export Board and the next following two tax years; and</p>	<p><i>An explanation is proposed to be inserted clarifying that only the income derived from coal mining projects is to be considered for tax credit and not the entire income of such persons involved in coal mining projects in Sindh supplying coal to power generation projects.</i></p> <p>(b) a startup as defined in clause (62A) of section 2 for the tax year in which the startup is certified by the Pakistan Software Export Board and the next following two tax years.</p> <p>“Explanation. For the removal of doubt, it is clarified that tax credit under clause (a) shall only be available to the income derived from the operations of coal mining projects in Sindh supplying coal to power generation projects.”</p>
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92(1)	<p>Principles of taxation of associations of persons.</p> <p>Provided that if at least one member of the association of persons is a company, the share of such company or companies shall be excluded for the purpose of computing the total income of the association of persons and the company or the companies shall be taxed separately, at the rate applicable to the companies, according to their share;</p>	<p><i>It has been proposed that share of income in the hands of member of associations of persons having turnover exceeding three hundred million rupees or above in the current or any preceding tax year shall not be exempt unless audited financial statements of such associations of persons are not filed along with return.</i></p> <p>Provided that if at least one member of the association of persons is a company, the share of such company or companies shall be excluded for the purpose of computing the total income of the association of persons and the company or the companies shall be taxed separately, at the rate applicable to the companies, according to their share;</p> <p>Provided further that the 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:";</p>
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100BA	<p>Special provisions relating to persons not appearing in active taxpayers' list</p> <p>(1) The collection or deduction of advance income tax, computation of income and tax payable thereon in respect of a person not appearing on the active taxpayers' list shall be determined in accordance with the rules in the Tenth Schedule</p>	<p><i>Withholding, computation of income and tax payable for persons who filed the returns after due date despite appearing in active taxpayers' list has been proposed to be governed under the Tenth Schedule of the Income Tax Ordinance, 2001.</i></p> <p>(1) The collection or deduction of advance income tax, computation of income and tax payable thereon in respect of a person not appearing on the active taxpayers' list or persons appearing on the active taxpayers' list who have not filed return by the due date specified in section 118 or by the due date as extended under section 119 or 214A" shall be determined in accordance with the rules in the Tenth Schedule</p>
108 (6)	<p>Transactions between associates</p> <p>Non-Existent</p>	<p><i>In our opinion 25% of claim of expense in respect of sale promotion, advertisement shall be disallowed in case of claim of royalty paid or payable to non-resident associate, the amendment shall be effective from tax year 2024, relevant clause reads as under:</i></p> <p>(6) 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.";</p>

114B	<p>Powers to enforce filing of returns.</p> <p>(b) discontinuance of electricity connection; or (c) discontinuance of gas connection.</p>	<p><i>This section is applicable in case of person who is not appearing in the Active Taxpayer's List meaning thereby the person having NTN but not filing return. The relevant clauses reads as under:</i></p> <p>(b) discontinuance of electricity connection; (c) discontinuance of gas connection; or (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.”;</p>
116	<p>Wealth Statement.</p> <p>(1) The Commissioner may, by notice in writing, require any person being an individual to furnish, on the date specified in the notice, a statement (hereinafter referred to as the "wealth statement") in the prescribed form and verified in the prescribed manner giving particulars of</p> <p>(a) the person's total assets and liabilities as on the date or dates specified in such notice;</p> <p>(b) the total assets and liabilities of the person's spouse, minor children, and other dependents as on the date or dates specified in such notice;</p> <p>(c) any assets transferred by the person to any other person during the period or periods specified in such notice and the consideration for the transfer;</p> <p>(d) the total expenditures incurred by the person, and the person's spouse, minor children, and other dependents during the period or periods specified in the notice and the details of such expenditures ; and</p> <p>(e) the reconciliation statement of wealth.</p>	<p><i>It has been proposed that the individual to whom Commissioner requires to file a wealth statement shall also provide details of foreign assets in addition to local assets.</i></p> <p>(1) The Commissioner may, by notice in writing, require any person being an individual to furnish, on the date specified in the notice, a statement (hereinafter referred to as the "wealth statement") in the prescribed form and verified in the prescribed manner giving particulars of</p> <p>(a) the person's total assets including foreign assets and liabilities as on the date or dates specified in such notice;</p> <p>(b) the total assets including foreign assets and liabilities of the person's spouse, minor children, and other dependents as on the date or dates specified in such notice;</p> <p>(c) any assets including foreign assets transferred by the person to any other person during the period or periods specified in such notice and the consideration for the transfer;</p> <p>(d) the total expenditures incurred by the person, and the person's spouse, minor children, and other dependents during the period or periods specified in the notice and the details of such expenditures ; and</p> <p>(e) the reconciliation statement of wealth.</p>

121	<p>Best judgement assessment.</p> <p>(1) (ac) Non-Existent</p>	<p><i>It has been proposed that the Commissioner may proceed for best judgment assessment under section 121 of the Income Tax Ordinance, 2001 in case of discontinuance of business if return not filed despite receiving notice</i></p> <p>(1) (ac) furnish return of income in response to notice under sub-section (3) of section 117; or ;</p>
122A	<p>Revision by the Commissioner.</p> <p>(1) The Commissioner may suomoto, call for the record of any proceeding under this Ordinance or under the repealed Ordinance in which an order has been passed by any Officer of Inland Revenue other than the Commissioner (Appeals) if the value of the assessment or, as the case may be, refund of the tax does not exceed twenty million rupees,</p>	<p>Through Tax Laws (Amendment) Act, 2024 the power of revision under Section 122A was restricted to the extent of order in which the value of assessment does not exceeds twenty million rupees, now this restriction has been proposed to lift and the original position stands restored.</p> <p>(1) The Commissioner may suomoto, call for the record of any proceeding under this Ordinance or under the repealed Ordinance in which an order has been passed by any Officer of Inland Revenue.</p>

126A	<p>Pecuniary jurisdiction in appeals.</p> <p>(1) Subject to other provisions of this Act,-</p> <p>(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</p> <p>(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.</p> <p>(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 16th day of June, 2024 stand transferred to the Appellate Tribunal Inland Revenue.</p>	<p>(i) <i>An explanation is proposed to be inserted to clarify the phrase “value of assessment” for pecuniary limit of filing of appeals which explains that the assessment of tax in the instant case shall mean the net increase in tax liability or net reduction of tax refund.</i></p> <p>(ii) <i>It has been proposed that the date of transfer of appeals pending before Commissioner (Appeals) exceeding Rs. 20 million shall be extended from 16th June, 2024 to 16th September, 2024.</i></p> <p>(1) Subject to other provisions of this Ordinance,-</p> <p>(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</p> <p>(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.</p> <p>“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</p> <p>(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 16th day of September, 2024 stand transferred to the Appellate Tribunal Inland Revenue.</p>
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127	<p>Appeal to the Commissioner (Appeals)</p> <p>(1) Any person dissatisfied with any order passed by a Commissioner or an Officer of Inland Revenue under sub-section (2A) of section 120, section 121,122, 143, 144, 162, 170, 182, or 205, or an order under sub-section (1) of section 161 holding a person to be personally liable to pay an amount of tax, or an order under clause (f) of sub-section (3) of section 172 declaring a person to be the representative of a non-resident person or an order giving effect to any finding or directions in any order made under this Part by the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court, or an order under section 221 refusing to rectify the mistake, either in full or in part, as claimed by the taxpayer or an order having the effect of enhancing the assessment or reducing a refund or otherwise increasing the liability of the person may prefer an appeal to the Commissioner (Appeals) against the order.</p>	<p><i>In order to align with pecuniary limits introduced through the Tax Laws (Amendment) Act, 2024, the relevant amendment is proposed to be made in the said sub-section.</i></p> <p>(1) Any person dissatisfied with any order passed by a Commissioner or an Officer of Inland Revenue under sub-section (2A) of section 120, section 121,122, 143, 144, 162, 170, 182, or 205, or an order under sub-section (1) of section 161 holding a person to be personally liable to pay an amount of tax, or an order under clause (f) of sub-section (3) of section 172 declaring a person to be the representative of a non-resident person or an order giving effect to any finding or directions in any order made under this Part by the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court, or an order under section 221 refusing to rectify the mistake, either in full or in part, as claimed by the taxpayer or an order having the effect of enhancing the assessment or reducing a refund or otherwise increasing the liability of the person may prefer an appeal to the Commissioner (Appeals) against the order if the value of assessment of tax or, as the case may be, refund of tax does not exceed twenty million rupees” shall be inserted;</p>
131	<p>Appeal to the Appellate Tribunal.</p> <p>(1) Subject to section 126A, any person, other than an SOE, aggrieved by any order passed by an officer of Inland Revenue or Commissioner or Chief Commissioner or the Board or Commissioner (Appeals) under this Ordinance or the rules made thereunder 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:</p>	<p><i>In order to align with amendments introduced through the Tax Laws (Amendment) Act, 2024, the said amendment is proposed to be made meaning thereby the order of Commissioner (Appeals) may only be challenged before High Court and not Appellate Tribunal Inland Revenue.</i></p> <p>(1) Subject to section 126A, any person, other than an SOE, aggrieved by any order passed by an officer of Inland Revenue or Commissioner or Chief Commissioner or the Board under this Ordinance or the rules made thereunder 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:</p>

147	<p>Advance tax paid by the taxpayer.</p> <p>(4) Where the taxpayer is an association of persons or a company, the amount of advance tax due for a quarter shall be computed according to the following formula, namely:-</p> $(A \times B/C) - D$ <p>Where –</p> <p>A. is the taxpayer’s turnover for the quarter Provided that 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;</p> <p>B. is the tax assessed to the taxpayer for the latest tax year</p> <p>Explanation.- For removal of doubt it is clarified that tax assessed includes tax under sections 4C, 113 and 113C.</p> <p>C. is the taxpayer’s turnover for the latest tax year; and</p> <p>D. is the tax paid in the quarter for which a tax credit is allowed under section 168.</p>	<p>(i) <i>It has been proposed that for the purpose of computing advance tax liability, the turnover for the year shall be estimated to be one hundred and twenty percent of the turnover of latest tax year in case turnover is not known or not provided by the company.</i></p> <p><i>Relevant Sub-Sections are reproduced below:</i></p> <p>(4) Where the taxpayer is an association of persons or a company, the amount of advance tax due for a quarter shall be computed according to the following formula, namely:-</p> $(A \times B/C) - D$ <p>Where –</p> <p>A. is the taxpayer’s turnover for the quarter Provided that 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 twenty percent of the turnover of the latest tax year for which a return has been filed;</p> <p>B. is the tax assessed to the taxpayer for the latest tax year</p> <p>Explanation.- For removal of doubt it is clarified that tax assessed includes tax under sections 4C, 113 and 113C.</p> <p>C. is the taxpayer’s turnover for the latest tax year; and</p> <p>D. is the tax paid in the quarter for which a tax credit is allowed under section 168.</p>
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147		<p>(ii) <i>it has been proposed to insert new sub-section whereby the Commissioner is empowered to reject estimate filed by the taxpayer, which reads as under:</i></p> <p>6B) 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: Provided 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).";</p>
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148	<p>Imports</p> <p>(6) The provisions of the Customs Act, 1969 (IV of 1969), in so far as relevant, shall apply to the collection of tax under this section.</p> <p>(9) In this section –</p> <p>“Collector of Customs” means the person appointed as Collector of Customs under section 3 of the Customs Act, 1969 (IV of 1969), and includes a Deputy Collector of Customs, an Additional Collector of Customs, or an officer of customs appointed as such under the aforesaid section;</p> <p>Value of goods means ---</p> <p>(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</p> <p>(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.; and</p>	<p>(i) and (ii) Through this amendment, it is proposed that the Board may determine the minimum value of goods for collection of advance tax at import stage.</p> <p>(iii) the minimum value as fixed by the Board is included in the definition of value of goods for congruity.</p> <p>(6) Subject to sub-section (6A), the provisions of the Customs Act, 1969 (IV of 1969), in so far as relevant, shall apply to the collection of tax under this section.</p> <p>(6A) The Board may, by notification in the official Gazette, determine the minimum value of goods for the purpose of collection of advance tax under this section</p> <p>(9) In this section –</p> <p>“Collector of Customs” means the person appointed as Collector of Customs under section 3 of the Customs Act, 1969 (IV of 1969), and includes a Deputy Collector of Customs, an Additional Collector of Customs, or an officer of customs appointed as such under the aforesaid section;</p> <p>Value of goods means ---</p> <p>(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;</p> <p>(b) in case of 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; and</p>
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		(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.
152	Payments to non-residents (4A) The Commissioner may, on application made in the prescribed form by the recipient of payment referred to in sub-section (1A) having permanent establishment in Pakistan, or by a recipient of payment referred to in sub-section (2A), as the case may be, and after making such inquiry as the Commissioner thinks fit, allow by order in writing, in cases where the tax deductible under sub- section (1) or sub-section (2A) is not minimum tax, any person to make the payment without deduction of tax or deduction of tax at a reduced rate.";	<i>Through this proposed amendment the Commissioner may allow the payment subject to deduction of tax @ reduced rate.</i> (4A) The Commissioner may, on application made in the prescribed form by the recipient of payment referred to in sub-section (1A) having permanent establishment in Pakistan, or by a recipient of payment referred to in sub-section (2A), as the case may be, and after making such inquiry as the Commissioner thinks fit, allow by order in writing, in cases where the tax deductible under sub- section (1) or sub-section (2A) is not minimum tax, any person to make the payment with deduction of tax at a reduced rate.";

153	<p>Payments for goods, services and contracts.</p> <p>(4) The Commissioner may, on application made by the recipient of a payment referred to in sub-section (1) and after making such inquiry as the Commissioner thinks fit, may allow in cases where tax deductible under subsection (1) is not minimum, by an order in writing, any person to make the payment,</p> <p>(a) without deduction of tax; or (b) deduction of tax at a reduced rate</p> <p>Provided that the Commissioner shall issue certificate for payment under clause (a) of sub-section (1) without deduction of tax within fifteen days of filing of application to a company if advance tax liability has been discharged:</p> <p>Provided further that the Commissioner shall be deemed to have issued the exemption certificate upon the expiry of fifteen days to the aforesaid company and the certificate shall be automatically processed and issued by Iris:</p> <p>Provided also that the Commissioner may modify or cancel the certificate issued automatically by Iris on the basis of reasons to be recorded in writing after providing an opportunity of being heard.</p>	<p><i>Through this proposed amendment the Commissioner may pass order in writing for making payment after deduction of tax @ reduced rate against, before amendment the Commissioner was empowered to issue order for making payment without deduction of tax. It appears that exemption certificate from making payment without deduction of payment has been done away only certificate for reduced rate may be allowed, however, it is open to interpret the word "Reduced Rate". In our opinion may be ZERO rate subject to fulfilment of condition under Section 147 of the Income Tax Ordinance, 2001, relevant section reads as under:</i></p> <p>(4) The Commissioner may, on application made by the recipient of a payment referred to in sub-section (1) and after making such inquiry as the Commissioner thinks fit, may allow in cases where tax deductible under sub-section (1) is not minimum, by an order in writing, any person to make the payment after deduction of tax at reduced rate:</p> <p>Provided that the Commissioner shall issue reduced rate certificate within fifteen days of filing of application to a company if advance tax liability has been discharged:</p> <p>Provided further that 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:</p> <p>Provided also that the Commissioner may modify or cancel the certificate issued automatically by Iris on the basis of reasons to be recorded in writing after providing an opportunity of being heard."</p>
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154	<p>Exports</p> <p>(1) Every authorised dealer in foreign exchange shall, at the time of realisation of foreign exchange proceeds on account of the export of goods by an exporter, deduct tax from the proceeds at the rate specified in Division IV of Part III of the First Schedule.</p> <p>(4) The tax deductible under this section shall be a final tax on the income arising from the transactions referred to in this section.</p> <p>(5) The provisions of sub-section (4) shall not apply to a person who opts not to be subject to final taxation:</p> <p>Provided that this sub-section shall be applicable from tax year 2015 and the option shall be exercised every year at the time of filing of return under section 114:</p> <p>Provided further that the tax deducted under this sub-section shall be minimum tax.</p>	<p><i>Through this proposed amendment the drastic concept has been introduced whereby, firstly withholding @ 1% shall be treated as minimum tax liability instead of final tax liability, secondly in addition further 1% tax shall be withheld from export proceeds which will be treated as advance tax liability which shall be adjustable. Relevant Section is reproduced below:</i></p> <p>(1) Every authorised dealer in foreign exchange shall, at the time of realisation of foreign exchange proceeds on account of the export of goods by an exporter, deduct tax including advance tax from the proceeds at the rate specified in Division IV of Part III of the First Schedule.</p> <p>(4) The tax deductible under this section shall be a minimum tax on the income arising from the transactions referred to in this section.</p> <p>(5) Omitted</p>
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159	<p>Exemption or lower rate certificate.</p> <p>(1) Where the Commissioner is satisfied that an amount to which Division II or III of this Part or Chapter XII applies is –</p> <p>(a) exempt from tax under this Ordinance; or (b) subject to tax at a rate lower than that specified in the First Schedule or (c) is subject to hundred percent tax credit under this Ordinance,</p> <p>the Commissioner shall, upon application in writing by the person, in the prescribed form issue the person with an exemption or lower rate certificate.</p> <p>Provided that in case of a company, the Commissioner shall issue exemption or lower rate certificate under this section within fifteen days of filing of application by the company:</p> <p>Provided further that the Commissioner shall be deemed to have issued the exemption certificate upon the expiry of fifteen days from filing of application by the aforesaid company and the certificate shall be automatically processed and issued by Iris:</p> <p>Provided also that the Commissioner may modify or cancel the certificate issued automatically by Iris on the basis of reasons to be recorded in writing after providing an opportunity of being heard.</p> <p>(1A) The Commissioner shall, upon application from a person, in the prescribed form whose income is not likely to be chargeable to tax under this Ordinance, issue exemption certificate for the profit on debt referred to in clause (c) of sub-section (1) of section 151.</p>	<p><i>It has been proposed that the Commissioner shall only issue a certificate for reduced rate and not exemption certificate</i></p> <p>(1) Where the Commissioner is satisfied that an amount to which Division II or III of this Part or Chapter XII applies is –</p> <p>(a) exempt from tax under this Ordinance; or (b) subject to tax at a rate lower than that specified in the First Schedule or (c) is subject to hundred percent tax credit under this Ordinance,</p> <p>the Commissioner shall, upon application in writing by the person, in the prescribed form issue the person with a lower rate certificate.</p> <p>Provided that in case of a company, the Commissioner shall issue lower rate certificate under this section within fifteen days of filing of application by the company:</p> <p>Provided further that the Commissioner shall be deemed to have issued the lower rate certificate upon the expiry of fifteen days from filing of application by the aforesaid company and the certificate shall be automatically processed and issued by Iris:</p> <p>Provided also that the Commissioner may modify or cancel the certificate issued automatically by Iris on the basis of reasons to be recorded in writing after providing an opportunity of being heard.</p> <p>(1A) The Commissioner shall, upon application from a person, in the prescribed form whose income is not likely to be chargeable to tax under this Ordinance, issue lower rate certificate for the profit on debt referred to in clause (c) of sub-section (1) of section 151.</p>
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168	<p>Credit for tax collected or deducted</p> <p>(3) No tax credit shall be allowed for any tax collected or deducted that is a final tax under –</p> <p>(a) (b) (c) (ca) sub-section (1E) of section 152; (cb) sub-section (2) of section 152A; (d) (e) sub-section (4) of section 154; (ea) sub-section (2) of section 154A; (f) sub-section (3) of section 156; (g) sub-section (2) of section 156A; (h) and (j) (k) sub-section (7) of section 236Z.</p>	<p><i>Through this amendment, corresponding effect is brought about to incorporate the proposed change for excluding the exports from Final Tax Regime.</i></p> <p>(3) No tax credit shall be allowed for any tax collected or deducted that is a final tax under –</p> <p>(a) (b) (c) (ca) sub-section (1E) of section 152; (cb) sub-section (2) of section 152A; (d) (e) omitted. (ea) sub-section (2) of section 154A; (f) sub-section (3) of section 156; (g) sub-section (2) of section 156A; (h) and (j) (k) sub-section (7) of section 236Z.</p>
169	<p>Tax collected or deducted as a final tax.</p> <p>(1) This section shall apply where –</p> <p>(b) the tax required to be deducted is a final tax under subsection (1E) of section 152, 152A, sub-section (4) of section 154, sub-section (2) of section 154A sub-section (3) of section 156, sub-section (2) section 156A or subsection (7) of section 236Z on the income from which it was deductible.</p>	<p>Through this amendment, corresponding effect is brought about to incorporate the proposed change for excluding the exports from Final Tax Regime.</p> <p>(1) This section shall apply where –</p> <p><i>(b) the tax required to be deducted is a final tax under subsection (1E) of section 152, 152A, sub-section (2) of section 154A sub-section (3) of section 156, sub-section (2) section 156A or subsection (7) of section 236Z on the income from which it was deductible.</i></p>

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<p>Offences and Penalties</p> <p>Non-Existent</p>	<p>(i) Penalty for non-filing of return under section 117(3) of the Income Tax Ordinance, 2001 for discontinuation of business is proposed to be introduced.</p> <p>(ii) Penalty for non-registration under section 99B of the Income Tax Ordinance, 2001 is proposed to be introduced.</p> <p>(iii) Penalty for person failing to comply with income tax general order under section 114B of the Income Tax Ordinance, 2001 is also proposed to be introduced.</p> <p>(iv) Penalty for person failing to withhold tax under section 37(6) of the Income Tax Ordinance, 2001 on sale of shares is proposed to be introduced.</p> <p>(v) Penalty for non-furnishing complete details, relevant particulars and annexures along with the return of income in case of company and associations of persons is proposed to be introduced.</p>			
	1B	Where any person fails to furnish a return of income as required under sub-section (3) of section 117 within the time specified in the notice	Such person shall pay a penalty equal to higher of (a) 0.1% of the tax payable in respect of that tax year for each day of default; or (b) Rs. 1,000 per day of default: Provided that minimum penalty shall be Rs.10,000 in case of an individual and Rs.50,000 in all other cases.	117(3)

		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 & 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)
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		35	Any company and an association of persons who (a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer; (b) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or (c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed.	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)
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191	<p>Prosecution for non-compliance with certain statutory obligations.</p> <p>(1) Any person who, without reasonable excuse, fails to – (a) comply with a notice under sub-section (3) and sub-section (4) of section 114 or sub-section (1) of section 116</p>	<p><i>Prosecution for person not furnishing return of income under section 117(3) of the Income Tax Ordinance, 2001 on discontinuance of business is proposed to be introduced.</i></p> <p>(1) Any person who, without reasonable excuse, fails to – (a) comply with a notice under sub-section (3) and sub-section (4) of section 114, sub-section (3) of section 117" or sub-section (1) of section 116.</p>
191A	<p>Non-Existent</p>	<p><i>(i) Prosecution for non-furnishing of complete details, relevant particulars and annexures along with the return by company or associations of persons is proposed to be introduced.</i></p> <p>Prosecution for failure to furnish information in return of income.</p> <p>Any company including a banking company and an association of persons who – (a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer; (b) furnishes blank or incomplete particulars or information as specified in the return of income; or (c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed, shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both.</p>

191B	<p>Non-Existent</p>	<p>(ii) Prosecution for person failing to comply with registration requirements under section 99B of the Income Tax Ordinance, 2001 is proposed to be introduced</p> <p>The rate of default surcharge under section 205 of the Income Tax Ordinance, 2001 is proposed to be increased from 12% to "KIBOR + 3%"; meaning thereby the fixed rate of default has been changed to variable rate.</p> <p>Prosecution for non-registration.</p> <p>Any person specified in section 99B who is required to apply for registration but fails to do so shall commit an offence punishable on conviction with imprisonment for a term not exceeding six months or fine or both.</p>
205	<p>Default surcharge.</p> <p>(1) A person who fails to pay –</p> <p>(a) any tax, excluding the advance tax under section 147 and default surcharge under this section;</p> <p>(b) any penalty; or</p> <p>(c) any amount referred to in section 140 or 141, on or before the due date for payment shall be liable for default surcharge at a rate equal to "12" per cent per annum on the tax, penalty or other amount unpaid computed for the period commencing on the date on which the tax, penalty or other amount was due and ending on the date on which it was paid:</p>	<p>The rate of default surcharge under section 205 of the Income Tax Ordinance, 2001 is proposed to be increased from 12% to "KIBOR + 3%"; meaning thereby the fixed rate of default has been changed to variable rate. Relevant section reproduced below:</p> <p>(1) A person who fails to pay</p> <p>(a) any tax, excluding the advance tax under section 147 and default surcharge under this section;</p> <p>(b) any penalty; or</p> <p>(c) any amount referred to in section 140 or 141, on or before the due date for payment shall be liable for default surcharge at a rate equal to "KIBOR plus three" per cent per annum on the tax, penalty or other amount unpaid computed for the period commencing on the date on which the tax, penalty or other amount was due and ending on the date on which it was paid:</p> <p>(1A) A person who fails to pay advance tax under section 147 shall be liable for default surcharge at a rate equal to "KIBOR plus three per cent per annum on the amount of tax unpaid computed for the period commencing on the date on which it was due and ending on the date on which it was paid or date on which the return of income for the relevant tax year was due, whichever is earlier.</p>

		<p>(1B) Where, in respect of any tax year, any taxpayer fails to pay tax under sub-section (4A), or (6) of section 147 or the tax so paid is less than ninety per cent of the tax chargeable for the relevant tax year, he shall be liable to pay default surcharge at the rate of KIBOR plus three per cent per annum on the amount of tax so chargeable or the amount by which the tax paid by him falls short of the ninety per cent, as the case may be; and such default surcharge shall be calculated from the first day of April in that year to the date on which assessment is made or the thirtieth day of June of the financial year next following, whichever is the earlier:</p> <p>(3) A person who fails to collect tax, as required under Division II of Part V of this Chapter or Chapter XII or deduct tax as required under Division III of Part V of this Chapter or Chapter XII or fails to] pay an amount of tax collected or deducted as required under section 160 on or before the due date for payment shall be liable for default surcharge at a rate equal to “KIBOR plus three” per cent per annum on the amount unpaid computed for the period commencing on the date the amount was required to be collected or deducted and ending on the date on which it was paid to the Commissioner:</p>
216.	<p>Disclosure of information by a public servant</p> <p>(3) (kc) Non-Existent</p>	<p><i>The subject amendment is proposed to allow sharing of information to National Database and Registration Authority (NADRA) for analyzing such data for the purpose of broadening of tax database</i></p> <p>(3) (kc) to National Database and Registration Authority to process and analyze such data for the purposes of broadening of tax base;”;</p>

236G	<p>Advance tax on sales to distributors, dealers and wholesalers.</p> <p>(1) Every manufacturer or commercial importer of pharmaceuticals, poultry and animal feed, edible oil and ghee, auto-parts, tyres, varnishes, chemicals, cosmetics, IT equipment, electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, at the time of sale to distributors, dealers and wholesalers, shall collect advance tax at the rate specified in Division XIV of Part IV of the First Schedule, from the aforesaid person to whom such sales have been made.</p>	<p><i>Through this proposed amendment the provision shall be applicable across the board irrespective of specific sector, the clause reads as under:</i></p> <p>(1) Every manufacturer or commercial importer, at the time of sale to distributors, dealers and wholesalers, shall collect advance tax at the rate specified in Division XIV of Part IV of the First Schedule, from the aforesaid person to whom such sales have been made.</p>
236H	<p>Advance tax on sales to retailers.</p> <p>(1) Every manufacturer, distributor, dealer, wholesaler or commercial importer of pharmaceuticals, poultry and animal feed, edible oil and ghee, auto-parts, tyres, varnishes, chemicals, cosmetics, IT equipment, electronics, sugar, cement, iron and steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, at the time of sale to retailers, and every distributor or dealer to another wholesaler in respect of the said sectors, shall collect advance tax at the rate specified in Division XV of Part IV of the First Schedule, from the aforesaid person to whom such sales have been made.</p>	<p><i>Through this proposed amendment the provision shall be applicable across the board irrespective of specific sector, the clause reads as under:</i></p> <p>(1) Every manufacturer, distributor, dealer, wholesaler or commercial importer at the time of sale to retailers, and every distributor or dealer to another wholesaler in respect of the said sectors, shall collect advance tax at the rate specified in Division XV of Part IV of the First Schedule, from the aforesaid person to whom such sales have been made.</p>

239	<p>Savings.</p> <p>(18) Non-Existent</p>	<p><i>Through this amendment, it has been proposed that the time limitation specified for filing appeal before Appellate Tribunal and reference before High Court for any order of Commissioner (Appeals) or Appellate Tribunal received prior to the introduction of Tax Laws Amendment (Act), 2024 shall be as specified in Tax Laws Amendment (Act), 2024.</i></p> <p>(18) The period of limitation provided in clause (d) of sub-section (2) of section 131 and sub-section (1) of section 133 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.</p>
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THE FIRST SCHEDULE

PART-I (RATES OF TAX)

DIVISION I

Rates of Tax for Individuals and Association of Persons has been proposed to be amended as under:

(1) Subject to clause (2), the rates of tax imposed on income of every individual and association of persons except a salaried individual shall be as set out in the following Table, namely-

S. No	Taxable Income	Rate of Tax
(1)	(2)	(3)
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	15% of amount exceeding the Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,600,000	Rs. 90,000 + 20% of the amount exceeding Rs.1,200,000
4.	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. 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. 5,600,000	Rs. 1,610,000 + 45% of the amount exceeding Rs. 5,600,000

Rate of tax for salaried individuals has been proposed to be amended as under:

Where the income of an individual chargeable under the head “salary” exceeds seventy-five per cent of his taxable income, the rates of tax to be applied shall be as set out in the following table, namely:

S. No	Taxable Income	Rate of Tax
(1)	(2)	(3)
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

DIVISION III

RATE OF DIVIDEND TAX

The rate of tax on dividend proposed to be amended as under;

(a) 7.5% in the case of dividends paid by Independent Power 2 [Producers] where such dividend is a pass-through item under an Implementation Agreement or Power Purchase Agreement or Energy Purchase Agreement and is required to be re-imbursed by Central Power Purchasing (CPPA-G) or its predecessor or

(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%.“;

(c) 0% in case of dividend received by a REIT scheme from Special Purpose Vehicle and 35% in case of dividend received by others from Special Purpose Vehicle as defined under the Real Estate Investment Trust Regulations, 2015.

(d) 25% in case of a person receiving dividend from a company where no tax payable by such company, due to exemption of income or carry forward of business losses under Part VIII of Chapter III or claim of tax credits under Part X of Chapter III.

DIVISION VII

CAPITAL GAINS ON DISPOSAL OF SECURITIES

The rate of tax on Capital Gains on Disposal of Securities proposed to be amended as follows:

TABLE

S. No.	Holding Period	Rate of Tax on disposal of securities acquired between 1 st day of July, 2022 and 30 th June, 2024 (both dates inclusive)	Rate of Tax on disposal of securities acquired on or after 1 st day of July, 2024
(1)	(2)	(3)	(4)
1.	Where the holding period does not exceed one year	15%	15% for persons appearing on the Active Taxpayers' List on the date of acquisition and the date of disposal of securities and at the rate specified in Division I for individuals and association of persons and Division II for companies in respect of persons not appearing on the Active Taxpayers' List on the date of acquisition and date of disposal of securities: Provided that the rate of tax for individuals and association of persons not appearing on the Active Taxpayers' List, the rate of tax shall not be less than 15% in any case.
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	
3.	Where the holding period exceeds two years but does not exceed three years	10%	
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	
5.	Where the holding period exceeds four years but does not exceed five years	5%	
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	
7.	Where the holding period exceeds six years	0%	
8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	5%:

Provided that for securities except at S. No. 8 of the Table

- (i) the rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or after the first day of July, 2013 but on or before the 30th day of June, 2022; and
- (ii) 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:

Provided further that the rate for companies in respect of debt securities shall be as specified in Division II of Part I of the First Schedule:

Provided also that a mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax at the rates as specified below, on redemption of securities as prescribed, namely:

Category	Rate
Individual and association of persons	15% for stock funds 15% for other funds
Company	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%:

Provided also that no capital gain shall be deducted, if the holding period of the security acquired on or before 30th day of June 2024 is more than six years.

Explanation. – For the removal of doubt, it is clarified that provisions of this proviso shall be applicable only in case of mutual fund or collective investment scheme or a REIT scheme.”;

DIVISION VIII

CAPITAL GAINS ON DISPOSAL OF IMMOVABLE PROPERTY

The rate of tax on capital gains on disposal of immovable properties proposed to be amended as follows: –

S. No.	Holding Period	Rate of Tax on properties acquired on or before 30th day of June, 2024			Rate of Tax on properties acquired on or after 1st day of July, 2024
		Open Plots	Constructed Property	Flats	
(1)	(2)	(3)	(4)	(5)	(6)
1.	Where the holding period does not exceed one year	15%	15%	15 %	15% for persons appearing on the Active Taxpayers' List on date of disposal of property and at the rates specified in Division I for individuals and association of persons and Division II for companies in respect of persons not appearing on the Active Taxpayers' List on the date of disposal of property: Provided that the rate of tax for individuals and association of persons not appearing on the Active Taxpayers' List on the date of disposal, the rate of tax shall not be less than 15% of the gain.”;
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5 %	
3.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0	
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-	
5.	Where the holding period exceeds four years but does not exceed five years	5%	0	-	
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-	
7.	Where the holding period exceeds six years	0%	-	-	

PART III
DEDUCTION OF TAX AT SOURCE
(SEE DIVISION III OF PART V OF CHAPTER X)

DIVISION I
ADVANCE TAX ON DIVIDEND

The Rate of advance tax on dividend proposed to substitute as follows;

[(a) 7.5% in case of dividend paid by Independent Power [Producers] where such dividend is a pass through item under an Implementation Agreement or Power Purchase Agreement or Energy Purchase Agreement and is required to be re-imbursed by Central Power Purchasing Agency (CPPAG) or its predecessor or successor entity.]

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%.

(c) 0% in case of dividend received by a REIT scheme from Special Purpose Vehicle and 35% in case of dividend received by others from Special Purpose Vehicle as defined under the Real Estate Investment Trust Regulations, 2015; and]

(d) 25% in case of a person receiving dividend from a company where no tax is payable by such company, due to exemption of income or carry forward of business losses under Part VIII Chapter III or claim of tax credits under Part X of Chapter III.

DIVISION III

PAYMENTS FOR GOODS OR SERVICES

Sub Paragraph (b) for clause (i) & (ii) are proposed to be substituted by the Finance Act, 2024.

The substituted sub-paragraphs read as follows;

“(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.”; and

DIVISION IV

EXPORTS

The rate of Advance tax on Exports proposed to amended as follows;

(1) The rate of tax to be deducted under sub-sections (1), (3), (3A), (3B) or (3C) of section 154 shall be 1% of the proceeds of the export

(2A) the rate of tax to be deducted as advance tax shall be 1% of the proceeds of export in addition to the tax deducted under paragraph (1).

PART IV
(SEE CHAPTER XII)
DIVISION V
TELEPHONE USERS

New proviso has been proposed to be inserted in clause (b) through Finance Act, 2024, which read as follows:-

(b) in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card	15% of the amount of bill or sales price of internet pre-paid card or prepaid telephone card or sale of units through any electronic medium or whatever form; <i>Provided that in the case of persons mentioned in income tax general order issued under section 114B, the rate of collection of tax shall be 75% of the amount of bill or sale price of internet pre-paid card or prepaid telephone card or sale of units to any electronic medium or whatever form.”;</i>
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DIVISION VII
ADVANCE TAX ON PURCHASE, REGISTRATION
AND TRANSFER OF MOTOR VEHICLES

The rate of Advance Tax on Purchase, Registration and Transfer of Motor Vehicles has been proposed to be amended as under in the following Table:

TABLE

S. No.	Engine capacity	Rate of Tax
(1)	(2)	(3)
1.	Upto 850 cc	0.5% of the value
2.	851cc to 1000cc	1% of the value
3.	1001cc to 1300cc	1.5% of the value
4.	1301cc to 1600cc	2% of the value
5.	1601cc to 1800cc	3% of the value
6.	1801cc to 2000cc	5% of the value
7.	2001cc to 2500cc	7% of the value
8.	2501cc to 3000cc	9% of the value
9.	Above 3000cc	12% of the value;"

The first proviso in the above said division has been proposed to be amended as under;

Provided that the value for the purpose of the above Table shall be in case of motor vehicle –

- (i) imported in Pakistan, the import value assessed by the Customs authorities as increased by customs duty, federal excise duty and sales tax payable at import stage;
- (ii) manufactured or assembled locally in Pakistan, the invoice value inclusive of all duties and taxes; or
- (iii) auctioned, the auction value inclusive of all duties and taxes:

Provided further that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be 3% of the import value as increased by customs duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles.

DIVISION X

ADVANCE TAX ON SALE OR TRANSFER OF IMMOVABLE PROPERTY

The rate of advance tax to be collected under section 236C of the Income Tax Ordinance, 2001 on sale or transfer of Immovable property has been proposed to be amended as follows;

S. No.	Amount	Tax Rate
(1)	(2)	(3)
1	Where the gross amount of the consideration received does not exceed Rs. 50 million	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%

DIVISION XVIII

ADVANCE TAX ON PURCHASE OF IMMOVABLE PROPERTY

The rate of advance tax to be collected u/s 236K of the ITO,2001 on purchase of immovable property has been proposed to be amended as follows:

S. No.	Amount	Tax Rate
(1)	(2)	(3)
1	Where the fair market value does not exceed Rs. 50 million	3%
2	Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%
3	Where the fair market value exceeds Rs. 100 million	4%

THE SECOND SCHEDULE
EXEMPTIONS AND TAX CONCESSIONS
PART I

(102A) Omitted

(145A) it has been proposed to make the following changes which read as follows;

Any income which was not chargeable to tax prior to the commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) of any individual domiciled or company and association of persons resident in the Tribal Area forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June, 2018 to the 30th day of June, 2025 (both days inclusive).]

PART II
REDUCTION IN TAX RATES

(24A) it has been proposed to make the following changes which read as follows;

The rate of tax, under clause (a) of sub-section (1) of section 153, from distributors of cigarette “*shall be 2.5% gross amount of payment*” and pharmaceutical products shall be 1% of the gross amount of payments

PART III
REDUCTION IN TAX LIABILITY

(2) Omitted;

PART IV

EXEMPTION FROM SPECIFIC PROVISIONS

It has been proposed to make the following changes which read as follows;

(109A) The provisions of sections in Division III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax which were not applicable prior to commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) shall not apply to individual domiciled or company and association of persons resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June, 2018 to the 30th day of June, 2025 (both days inclusive).

(110) The provisions of sections in Division III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax which were not applicable prior to commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) shall not apply to individual domiciled or company and association of person resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June, 2018 to the 30th day of June, 2025 (both days inclusive).

THE SEVENTH SCHEDULE

(See section 100A)

RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF A BANKING COMPANY AND TAX PAYABLE THEREON

Sub Rule (d) of Rule 1 has been proposed to be substituted as follows;

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

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

New Sub Rule (da) has been proposed to be inserted in Rule 1 which read as follows:

(da) Provisions or Expected Credit loss for Advances and off balance sheet items or any other financial asset existing before or after the 1st day of January, 2024 under IFRS 09 shall not be allowed as an expense or deduction.;

It has been proposed to make following changes in Sub Rule (g) of Rule 1 which read as follows;

Adjustment made in the annual accounts, on account of “any applicable accounting standard or policy or any guidelines or instructions of State Bank of Pakistan”

Explanation: For removal of doubt, it is clarified that nothing in this clause shall be so construed as to allow a notional loss, or charge to tax any notional gain on any investment under any regulation or instruction unless all the events that determine such gain or loss have occurred and the gain or loss can be determined with reasonable accuracy.

It has been proposed to add the following explanation in Rule (7CA) which read as follows;

(7CA) The provisions of section 4C shall apply to the taxpayers under this schedule and shall be taxed at the rates specified in Division IIB of Part I of the First Schedule from tax year 10 [2023] onwards.

“Explanation. For removal of doubt it is clarified that the expression “tax year 2023 onwards”, means that provisions of section 4C are applicable for the tax year 2023 and for all subsequent tax years.”;
and

THE TENTH SCHEDULE
(See section 100BA)
RULES FOR PERSONS NOT APPEARING
IN THE ACTIVE TAXPAYERS' LIST

It has been proposed to make the following change in Rule 1 which read as follows;

1. Rate of deduction or collection of tax. –

Where tax is required to be deducted or collected under any provision of this Ordinance from persons not appearing in the active taxpayers' list, the rate of tax required to be deducted or collected, as the case may be, shall be increased by hundred percent of the rate specified in the this Ordinance.

Provided that the tax required to be collected under section 231B shall be increased by two hundred percent of the rate specified in First Schedule in case of persons not appearing in the active taxpayers' list

The Second Proviso of above said rule has been proposed to amended read as follows:

Provided further that the tax required to be collected under section 236K shall be increased by two hundred and fifty percent of the rate specified in Division XVIII of Part IV of the First Schedule in case of persons not appearing in the active taxpayers.

TABLE

S. No.	Fair Market Value of Immovable Property	Tax Rate
(1)	(2)	(3)
1	Where the fair market value does not exceed Rs. 50 million	12%
2	Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million	16%
3	Where the fair market value exceeds Rs. 100 million	20%

Provided also that the tax required to be collected or deducted, under sections specified in column (2) against transactions specified in column (3) shall be at the rates specified in column (4) of the following Table, in case of persons not appearing in the active taxpayers' list:-

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

THE SECOND SCHEDULE
EXEMPTIONS AND TAX CONCESSIONS
PART I

(102A) Omitted

(145A) it has been proposed to make the following changes which read as follows;

Any income which was not chargeable to tax prior to the commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) of any individual domiciled or company and association of persons resident in the Tribal Area forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June, 2018 to the 30th day of June, 2025 (both days inclusive).

PART II
REDUCTION IN TAX RATES

(24A) it has been proposed to make the following changes which read as follows;

The rate of tax, under clause (a) of sub-section (1) of section 153, from distributors of cigarette “*shall be 2.5% gross amount of payment*” and pharmaceutical products shall be 1% of the gross amount of payments

PART III
REDUCTION IN TAX LIABILITY

(2) Omitted;

PART IV

EXEMPTION FROM SPECIFIC PROVISIONS

It has been proposed to make the following changes which read as follows;

(109A) The provisions of sections in Division III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax which were not applicable prior to commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) shall not apply to individual domiciled or company and association of persons resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June, 2018 to the 30th day of June, 2025 (both days inclusive).]

(110) The provisions of sections in Division III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax which were not applicable prior to commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) shall not apply to individual domiciled or company and association of person resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June, 2018 to the 30th day of June, 2025 (both days inclusive).

THE SEVENTH SCHEDULE]

(See section 100A)

RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF A BANKING COMPANY AND TAX PAYABLE THEREON

Sub Rule (d) of Rule 1 has been proposed to be substituted as follows;

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

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

New Sub Rule (da) has been proposed to be inserted in Rule 1 which read as follows:

(da) Provisions or Expected Credit loss for Advances and off balance sheet items or any other financial asset existing before or after the 1st day of January, 2024 under IFRS 09 shall not be allowed as an expense or deduction.;

It has been proposed to make following changes in Sub Rule (g) of Rule 1 which read as follows;

Adjustment made in the annual accounts, on account of “*any applicable accounting standard or policy or any guidelines or instructions of State Bank of Pakistan*”

Explanation.— For removal of doubt, it is clarified that nothing in this clause shall be so construed as to allow a notional loss, or charge to tax any notional gain on any investment under any regulation or instruction unless all the events that determine such gain or loss have occurred and the gain or loss can be determined with reasonable accuracy.

It has been proposed to add the following explanation in Rule (7CA) which read as follows;

(7CA) The provisions of section 4C shall apply to the taxpayers under this schedule and shall be taxed at the rates specified in Division IIB of Part I of the First Schedule from tax year 10[2023] onwards.]

“Explanation. – For removal of doubt it is clarified that the expression “tax year 2023 onwards”, means that provisions of section 4C are applicable for the tax year 2023 and for all subsequent tax years.” and

THE TENTH SCHEDULE

(See section 100BA)

RULES FOR PERSONS NOT APPEARING IN THE ACTIVE TAXPAYERS' LIST

It has been proposed to make the following change in Rule 1 which read as follows;

1. Rate of deduction or collection of tax. –

Where tax is required to be deducted or collected under any provision of this Ordinance from persons not appearing in the active taxpayers' list, the rate of tax required to be deducted or collected, as the case may be, shall be increased by hundred percent of the rate specified in this Ordinance.

Provided that the tax required to be collected under section 231B shall be increased by two hundred percent of the rate specified in First Schedule in case of persons not appearing in the active taxpayers' list

The Second Proviso of above said rule has been proposed to amended read as follows

Provided further that the tax required to be collected under section 236K shall be increased by two hundred and fifty percent of the rate specified in Division XVIII of Part IV of the First Schedule in case of persons not appearing in the active taxpayers.

TABLE

S. No.	Fair Market Value of Immovable Property	Tax Rate
(1)	(2)	(3)
1	Where the fair market value does not exceed Rs. 50 million	12%
2	Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million	16%
3	Where the fair market value exceeds Rs. 100 million	20%

Provided also that the tax required to be collected or deducted, under sections specified in column (2) against transactions specified in column (3) shall be at the rates specified in column (4) of the following Table, in case of persons not appearing in the active taxpayers' list: –

S. No.	Section	Description	Tax Rate
(1)	(2)	(3)	(4)
1.	Section 151	On yield or profit on debt	35%
2.	Section 236C	On the gross amount of consideration received on sale or transfer of immovable property	10%
3.	Section 236G	On the gross amount of sale to distributors, dealers or wholesalers other than sale of fertilizer.	2%
4.	Section 236H	On the gross amount of sale to retailers	2.5%";

New rule has proposed to inserted which read as follows

1A. Rate of deduction or collection of tax from persons who are appearing on active taxpayers' list but have not filed return by the due date. – Where tax is required to be collected in respect of persons appearing on the active taxpays' list who have not filed the return by the due date specified in section 118 or by the due date as extended under section 119 or 214A, the rate of tax shall be –

(a) as per rates set out in the following Table in case of tax to be collected under section 236C;

TABLE

S. No.	Gross Amount of Consideration Received	Tax Rate
(1)	(2)	(3)
1	Where the gross amount of consideration received does not exceed Rs. 50 million	6%
2	Where the gross amount of consideration received exceeds Rs. 50 million but does not exceed Rs. 100 million	7%
3	Where the gross amount of consideration received exceeds Rs. 100 million	8%

(b) as per rates set out in the following Table in case of tax to be collected under section 236K:

TABLE

S. No.	Fair Market Value of Immovable Property	Tax Rate
(1)	(2)	(3)
1	Where the fair market value does not exceed Rs. 50 million	6%
2	Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million	7%
3	Where the fair market value exceeds Rs. 100 million	8%; and

New Sub-Rule has been proposed to be inserted in Rule 10 which read as follows;

“(y) tax collected under section 37A.”.

SALES TAX

The purpose of this bill is to make financial provisions for the year beginning on the first day of July, 2024 and it shall come into force on the first day of July, 2024.

SECTION	PRESENT POSITION	PROPOSED AMENDMENT THROUGH FINANCE BILL 2024
2(3)	Definition of Associates (associated persons)	<p><i>Through proposed amendment the definition of Associates (associated persons) has been substituted namely;</i></p> <p><i>3[(1) Subject to sub-section (2), two persons shall be associates where –</i></p> <p>(i) the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person;</p> <p>(ii) one person sufficiently influences, either alone or together with an associate or associates, the other person;</p> <p>Explanation. – For the purpose of this section, two persons shall be treated as sufficiently influencing each other, where one or both persons, directly or indirectly, are economically and financially dependent on each other and, decisions are made in accordance with the directions, instructions or wishes of each other for common economic goal; or (iii) one person enters into a transaction, directly or indirectly, with the other who is a resident of jurisdiction with zero taxation regime</p>

2(4)	<p>Board: -</p> <p>means the Federal Board of Revenue established under section 3 of the Federal Board of Revenue Act, 2007.</p>	<p><i>It has been proposed to insert Central Board of Revenue established under the Central Board of Revenue Act, 1924. Amended definition is as under:</i></p> <p><i>“Board” means the Central Board of Revenue established under the Central Board of Revenue Act, 1924 (IV of 1924), and on the commencement of Federal Board of Revenue Act, 2007, the Federal Board of Revenue established under section 3 thereof;</i></p>
2(14A)	Non-Existent	<p>(14A) <i>“investigative audit” means investigative audit under section 25A of this Act.</i></p>
2(15A)	Non-Existent	<p>(15A) <i>“licensed integrator” means any person licensed by the Board to provide electronic invoicing system for integration of registered persons in the prescribed manner;</i></p>
2(37)	<p>“Tax fraud” means knowingly, dishonestly or fraudulently and without any lawful excuse (burden of proof of which excuse shall be upon the accused)</p>	<p><i>By virtue of this proposed amendment, section 2(37) shall be substituted as under:</i></p> <p>“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</p>

2(37)	<p>(i) doing of any act or causing to do any act; or</p> <p>(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],]</p> <p>(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;</p>	<p>(a) suppression of sales or receipts that are chargeable to tax under this Act;</p> <p>(b) false claim of input tax credit;</p> <p>(c) making taxable supplies of goods without issuing any tax invoice, in violation of the provisions of this Act or the rules made thereunder;</p> <p>(d) issuance of any tax invoice without supply of goods leading to inadmissible claim of input tax credit or refund;</p> <p>(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);</p> <p>(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;</p> <p>(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;</p> <p>(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.</p> <p>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.”;</p>
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2(44)	<p>(44) "time of supply", in relation to,</p> <p>(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</p>	<p><i>By virtue of proposed amendment time of supply shall be considered upon Delivery of goods or receipt of payment whichever is earlier.</i></p> <p>(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 <i>or the time when any payment is received by the supplier in respect of that supply, whichever is earlier.</i></p>
2(46)(j)	<p>Second proviso of section 2(46)(j):</p> <p>Provided that, where the Board deems it necessary it may, by notification in the official Gazette, fix the value of any imported goods 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</p>	<p><i>By virtue of proposed amendment, Board through a notification issued in the official Gazette can also fix the Value of supply on goods falling under Third Schedule. Amended position is as under:</i></p> <p>Provided that, where the Board deems it necessary it may, by notification in the official Gazette, fix the value of any imported goods <i>including those as specified in the Third Schedule</i> 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</p>
11	Assessment of Tax & Recovery of Tax not levied or short levied or erroneously refunded	Omitted
11B	<p>11B. Assessment giving effect to an order.-</p> <p>(1) Except where sub-section (2) applies, where, in consequence of, or to give effect to, any finding or direction in any order made under Chapter-VIII by the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court an order of assessment of tax is to be issued to any registered person, the Commissioner or an officer of Inland Revenue empowered in this behalf shall issue the order within one year from the end of the financial year in which the order of the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court, as the case may be, was served on the Commissioner or officer of Inland Revenue.</p>	<p><i>By virtue of the proposed amendment Limitation for Appeal Effect has been proposed to be expanded from one year to two years from the end of financial year. Amended position is as under:</i></p> <p>(1) Except where sub-section (2) applies, where, in consequence of, or to give effect to, any finding or direction in any order made under Part III of this Chapter by the Commissioner (Appeals), Appellate Tribunal, High Court, or Supreme Court an assessment order or amended assessment order is to be issued to any person, the Commissioner shall issue the order <i>within two years from the end of the financial year</i> in which the order of the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court, as the case may be, was served on the Commissioner.</p>

11D	Non-Existent	<p><i>Through this proposed amendment new provision(s) has been inserted namely;</i></p> <p><i>“11D. Best judgment Assessment.</i></p> <p><i>(1) Where a person,</i> (a) fails to furnish a sales tax return in response to notice under subsection (2A) of section 26; or</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>
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11E	Non-Existent	<p><i>Through this proposed amendment new provision(s) has been inserted namely;</i></p> <p>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;</p> <p>(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.</p> <p>(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.</p> <p>(3) Where a tax or charge has not been levied under clause (a) of subsection (1), the mount of tax shall be recovered as tax fraction of the value of supply.</p>
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11F	Non-Existent	<p><i>Through this proposed amendment new provision(s) has been inserted namely;</i></p> <p>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.</p>
11G	Non-Existent	<p><i>Through this proposed amendment new provision(s) has been inserted namely;</i></p> <p>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 sub-section. (3) For the purpose of sections 11D, 11E and 11F, the words “relevant date” means –</p> <p>(a) the time of payment of sales tax or charge as provided under section 6;</p> <p>(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</p> <p>(c) in a case where sales tax or charge has been erroneously refunded, the date of its refund.”</p>

21(2)	<p>De-registration, blacklisting and suspension of registration</p> <p>(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 blacklist such person or suspend his registration in accordance with such procedure as the Board may by notification in the official Gazette, prescribe.</p>	<p><i>Mandatory condition has been proposed to be inserted for the Commissioner to issue Blacklisting order before Blacklisting registration of the registered person. Amended position is as under:</i></p> <p>(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 <i>issue an order of blacklisting</i> such person or suspend his registration in accordance with such procedure as the Board may by notification in the official Gazette, prescribe.</p>
21(5)	<p>Non-Existent</p>	<p><i>Through this proposed amendment new provision has been inserted.</i></p> <p><i>In our opinion proposed amendment shall reduce litigation.</i></p> <p><i>(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 such order as he may deem fit:</i></p> <p>Provided that no order under this sub-section shall be passed unless an opportunity of being heard has been provided to the registered person.</p>

25	<p>25. Access to record, documents, etc.-</p> <p>[(1)] A person who is required to maintain any record or documents under this Act or any other law] shall, as and when required by [Commissioner], produce record or documents which are in his possession or control or in the possession or control of his agent; and where such record or documents have been kept on electronic data, he shall allow access to [the officer of Inland Revenue authorized by the Commissioner] and use of any machine on which such data is kept.]</p> <p>[(2)] The officer of Inland Revenue authorized by the Commissioner, on the basis of the record, obtained under subsection (1), may, once in a year, conduct audit:</p> <p>Provided that in case the Commissioner has information or sufficient evidence showing that such registered person is involved in tax fraud or evasion of tax, he may authorize an officer of Inland Revenue, not below the rank of Assistant Commissioner, to conduct an inquiry or investigation under section 38</p>	<p><i>By virtue of proposed amendment. Section 25 has been substituted as under:</i></p> <p>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.</p> <p>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 66 nothing contained in section 72B restricts the powers of the Commissioner to direct conduct of audit and to issue notice under this subsection.</p> <p>(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 subsection (1).</p>
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25	<p>Provided further that nothing in this sub-section shall bar the officer of Inland Revenue from conducting audit of the records of the registered person if the same were earlier audited by the office of the Auditor-General of Pakistan.</p> <p>(2A) For the purpose of sub-section (2) of section 25, the Commissioner may conduct audit proceedings electronically through video links, or any other facility as prescribed by the Board.]</p> <p>[(3)] After completion of Audit under this section or any other provision of this Act, the officer of Inland Revenue may, after obtaining the registered person's explanation on all the issues raised in the audit shall pass an order under section 11</p> <p>[(4) ***]</p> <p>[(4A) ***]</p> <p>[(5)] 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 388[default surcharge] voluntarily, whenever it comes to his notice, before receipt of notice of audit, no penalty shall be recovered from him:</p> <p>Provided 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 [***] 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:</p>	<p>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).</p> <p>(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:</p> <p>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.</p> <p>(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:</p> <p>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.</p> <p>(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</p>
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25	<p>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, 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.</p> <p>Explanation.– For the purpose of sections 25, 38, 38A, 38B and 45A and for removal of doubt, it is declared that the powers of the Board, Commissioner or officer of Inland Revenue under these sections are independent of the powers of the Board under section 72B and nothing contained in section 72B restricts the powers of the Board, Commissioner or Officer of Inland revenue to have access to premises, stocks, accounts, records, etc. under these sections or to conduct audit under these sections.</p>	<p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>
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25	<p>(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.</p> <p>(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:</p> <p>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:</p> <p>Provided that 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.</p>
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25AB	Non-Existent	<p><i>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.</i></p> <p><i>(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.</i></p> <p><i>(3) After completion of investigative audit the officer of Inland Revenue may take one or more of the following actions:</i></p> <p><i>(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.-</i></p> <p><i>(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;</i></p> <p><i>(c) blacklist the registered person under section 21; and</i></p> <p><i>(d) impose penalty and cause prosecution of the registered person as provided against Serial. No. 13 of the Table in section 33.</i></p> <p><i>(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.</i></p>
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26(2A)	Non-Existent	<p><i>(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:</i></p> <p><i>Provided that the notice under this subsection 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.</i></p>
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33(11)	<p>Such person 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 imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the amount of tax involved, or with both.</p>	<p><i>By virtue of the proposed amendment, penalty for submission of false or forged document, alteration, mutilation or falsification the records and knowingly or fraudulently making false statement, false declaration, false representation, false personification, and giving any false information is increased. Amended position is as under:</i></p> <p>(11) 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</p>
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33(13)	<p>Such person 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 imprisonment for a term which may extend to five years, or with fine which may extend to an amount equal to the loss of tax involved, or with both.</p>	<p><i>By virtue of this proposed amendment, serial No, 13 in column (2) of section 33 shall be substituted, which is inserted as under:</i></p> <p>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.</p> <p>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.</p> <p>The person who abets or connives in commissioning of tax fraud shall be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to five years if the tax evaded or sought to be evaded is upto five hundred million and above and which may extend to ten years if the tax evaded or sought to be evaded is one billion and above, and with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded”</p>
33(25A)	Non-Existent	<p><i>Through proposed amendment, penalty for licensed integrators has been inserted, which reads as under:</i></p> <p>25AA. Any licensed integrator who is authorized to provide electronic invoicing system for integration of registered persons fails to integrate such registered persons in the manner as required under this Act and rules made thereunder.</p>

34	<p>34. Default Surcharge.-</p> <p>(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: –</p> <p>(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 500[twelve per cent per annum], of the amount of tax due or the amount of refund erroneously made; [and]</p>	<p><i>Through proposed amendment, default surcharge has been revised from twelve percent per annum to KIBOR plus three percent. Amended position is as under:</i></p> <p>(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: –</p> <p>(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 percent per annum], of the amount of tax due or the amount of refund erroneously made; [and]</p>
40C(4)	<p>Non-Existent</p>	<p><i>Through proposed amendment section 40C(2) has been added, which is as under:</i></p> <p>(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</p> <p>(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.</p>

46(1)	<p>46. Appeals to Appellate Tribunal.-</p> <p>[(1) Subject to section 43A, any person, other than an SOE, aggrieved by any order 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:</p>	<p><i>By virtue of proposed amendment, Blacklisting order has been excluded from the scope of Appeals before Appellate Tribunal. Amended position is as under:</i></p> <p>[(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:</p>
47AB	<p>Non-Existent</p>	<p><i>By virtue of proposed amendment section 47AB has been inserted, which is as under:</i></p> <p>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)</p>

FEDERAL EXCISE ACT, 2005

The purpose of this bill is to make financial provisions for the year beginning on the first day of July, 2024 and it shall come into force on the first day of July, 2024.

SECTION	PRESENT POSITION	PROPOSED AMENDMENT THROUGH FINANCE BILL 2024
8	Default Surcharge: The rate of the default surcharge shall be 12% per annum.	<i>Through this proposed amendment the rate 12% has been replaced with KIBOR plus 3%.</i>
19(3)(f)	Offences, penalties and allied matters. Non-Existent	<i>Through this proposed amendment the action of removing the plant and machinery from the premises shall be considered as an offence. However, the new sub-clause has been added which reads as under:</i> “(f) where the value of the plant and machinery is rupees fifty million and above, installs such plant and machinery, commences production or removes such plant and machinery without prior permission of the Commissioner.”
19(10A)	Offences, penalties and allied matters. Non-Existent	<i>Through this proposed amendment the illegal retail sale of cigarettes shall constitute as an offence and in this regard new sub-section has been added which reads as under:</i> “(10A) If 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.”.
33	Appeals to [Commissioner] (Appeals) The appeal against the order of assessment having the value exceeding five million rupees could be filed.	<i>Through this proposed amendment the amount of assessment has been changed by placing the word “TAX”</i>

34AB	<p>Non-Existent</p>	<p><i>Through this proposed amendment the anomaly of limitation relating to filing appeals before the CIR(A) as well Tribunal has been removed by inserting new section which reads as under:</i></p> <p><i>34AB. Saving.– The period of limitation provided in sub-section (1) of section 34 and sub-section (1) of section 34A 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).</i></p>
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CUSTOMS ACT, 1969

The purpose of this bill is to make financial provisions for the year beginning on the first day of July, 2024 and it shall come into force on the first day of July, 2024.

SECTION	PRESENT POSITION	PROPOSED AMENDMENT THROUGH FINANCE BILL 2024
2(na) (qaa)	Non-Existent	<i>Through this proposed amendment the new subclauses have been added which reads as under:</i> “(na) “nuclear material” means the nuclear material as defined in the Pakistan Nuclear Regulatory Authority Ordinance, 2001 (III of 2001);” and “(qaa) “radioactive material” means the radioactive material as defined in Pakistan Nuclear Regulatory Authority Ordinance 2001 (III of 2001)”;
19	General Power to exempt custom duties: The certain notifications issued on or after 1 st July 2016 shall continue to be in force till 30-06-2024	<i>Through this proposed amendment the extension of one year granted shall continue in force till 30-06-2025.</i>
194	Appellate Tribunal	<i>Through this proposed amendment the structure of Appellate Tribunal including appointment of members as well as mode and manner of filing and disposal of appeals have been re-defined.</i>
195C	Alternate Dispute Resolution (ADR)	<i>By way of this proposed amendment this Section has been substituted by remodeling the foundation of Alternate Dispute Resolution Committee (ADRC).</i>
196	Reference to High Court	<i>This proposed amendment seeks to replace the procedure of filing and disposal of references before the High Court.</i>

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