Tax memorandum 2024

Comments on changes in Fiscal Laws

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THE FINANCE BILL 2024

This Memorandum summarizes an overview of economy for the year 2023-2024 and the important changes proposed through the Finance Bill 2024. The Memorandum contains comments on the budget and the Finance Bill 2024, including highlights of the changes in the Income Tax Ordinance, 2001, the Sales Tax Act, 1990, the Federal Excise Act, 2005, the Customs Act, 1969 and other laws. The amendments proposed through the Income Tax Ordinance, 2001 and through other laws are intended to be effective once the parliament and the President of Pakistan have accorded their assent and thereafter, would be effective from July 01, 2024 i.e. the tax year 2025 unless otherwise indicated.

This Memorandum is intended to provide general guidance to the readers on the important changes proposed through the bill and should not be considered as a substitute for specific advice relating to a particular enactment. For considering the precise effect of a proposed change, reference should be made to the appropriate wordings in the relevant statutes and the notifications issued where relevant.

The Memorandum has been prepared exclusively for the use of our clients and staff, based on information available with us till the time of release. Printing of this Memorandum, in any manner, is strictly prohibited without seeking a written permission from the firm.

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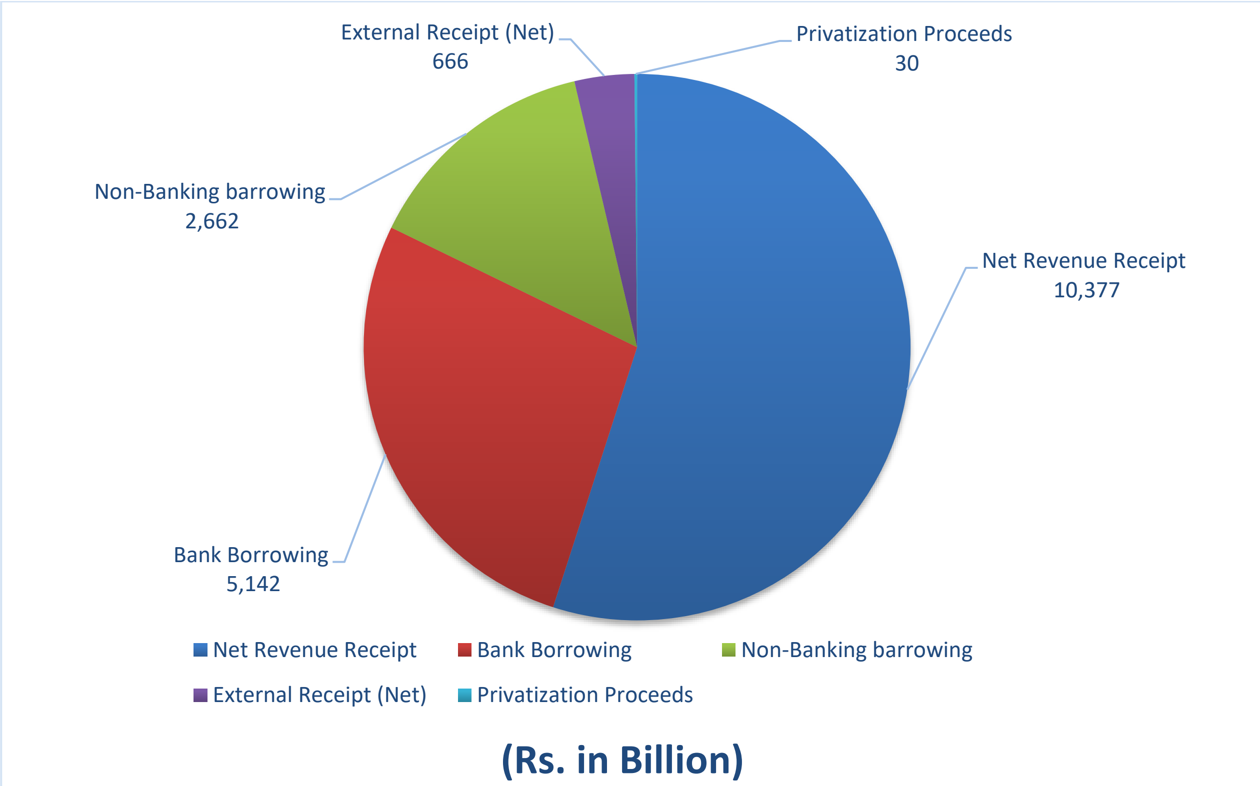
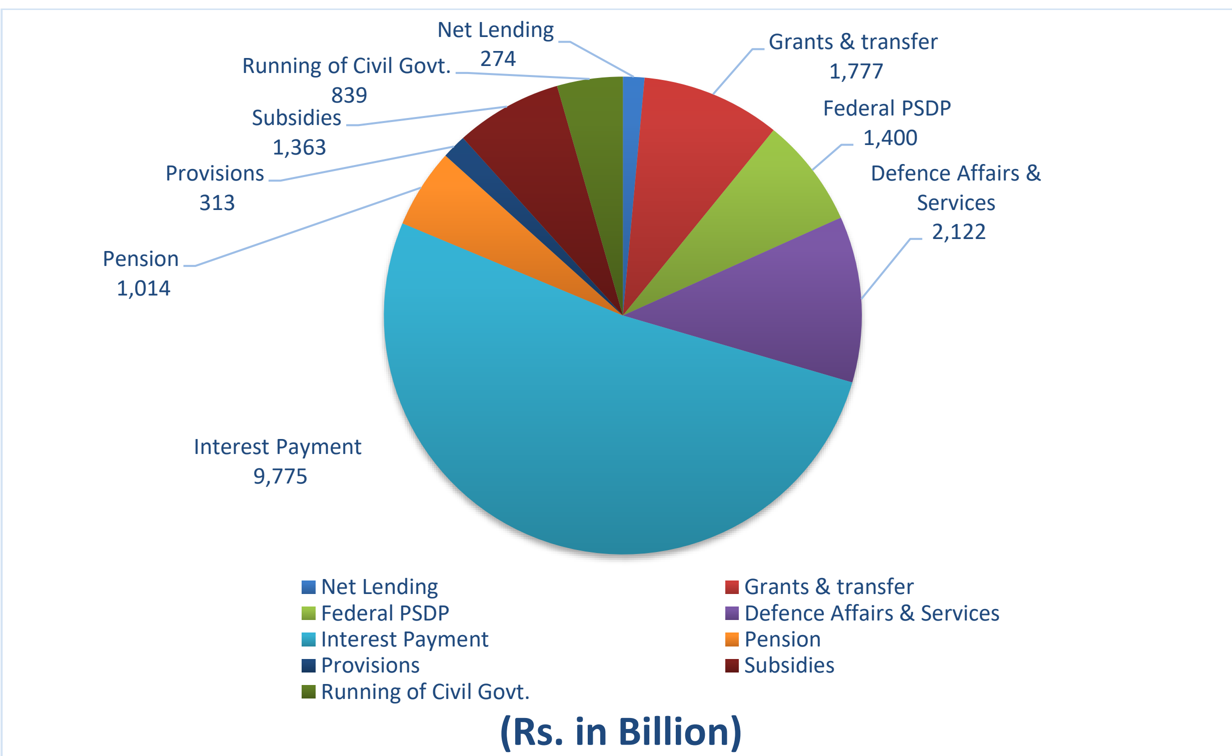
CONTENTS

BUDGET AT A GLANCE

	2023-2024		2024- 2025	
	Rupees. In Billion	%	**Rupees. In Billion**	%
Sources (A+B+C+D+E)	**14,460**	**100**	**18,877**	100
A – Net Revenue Receipts	**6,888**	**47.63**	**10,377**	54.97
Tax Revenue (Direct & Indirect taxes)	9,200	63.62	12,970	68.71
Non-Tax Revenue	2,963	20.49	4,845	25.67
Provincial Share	(5,276)	(36.49)	(7,438)	(39.40)
B – Net External Receipt	**2,527**	**17.48**	**666**	3.52
C – Privatization Proceeds	**15**	**0.10**	**30**	0.16
D – Bank Borrowings	**3,124**	**21.60**	**5,142**	27.23
E – Non-Bank Borrowing	**1,906**	**27.68**	**2,662**	14.10
Expenditures (A+B)	**14,460**	**100.00**	**18,877**	**100.00**
A – Current Expenditures	**13,320**	**92.12**	**17,203**	**91.13**
Interest payment	7,303	50.50	9,775	51.78
Pension	761	5.26	1,014	5.37
Defense Affairs and Services	1,804	12.48	2,122	11.24
Grants and Transfers to Provinces & Others	1,464	10.12	1,777	9.41
Subsidies	1,074	7.43	1,363	7.22
Provisions	200	1.38	313	1.66
Running of Civil Government	714	4.94	839	4.44
B - Development Expenditures	**1,140**	**7.88**	**1,674**	**8.87**
Federal PSDP	950	6.57	1,400	7.42
Net Lending	190	1.31	274	1.45



Source: Federal Budget 2024-25, Ministry of Finance.



Source: Federal Budget 2024-25, Ministry of Finance.

ECONOMIC REVIEW

Overview

Pakistan's economy entered a stabilization phase in FY24, with significant progress from the FY23. GDP is recovering, and stands at 2.4% as compared to 0.29% in FY23. Inflation has fallen to 26% as compared to the FY23 which was at 28%. Fiscal health has improved and despite challenges, the government completed the IMF Stand-By Arrangement (SBA) program. The economy has seen moderate growth and reduced external pressures, with inflation on a downward trend. The new government aims to maintain robust macroeconomic policies to leverage this stability.

Economic Review at a glance				
	Period	**FY24**	**FY23**	**% Change from FY23**
GDP (USD in billions)	**Jul-Jun**	**375**	**338**	**↑ 10.9%**
GDP growth (%)	**Jul-Jun**	**2.38**	**0.29**	**↑ 720%**
CPI (%)	**Jul-May**	**26**	**28.2**	**↓ 7.8%**
Exports (USD in billions)	**Jul-Apr**	**25.7**	**23.2**	**↑ 10%**
Imports (USD in billions)	**Jul-Apr**	**43.4**	**46.9**	**↓ 7%**
Current Account Deficit (USD in billions)	**Jul-Apr**	**0.2**	**3.3**	**↓ 93%**
Foreign Exchange Reserves (USD in billions)	**Jul-Apr**	**13.3**	**4.5**	**↑ 195%**
Foreign Exchange Remittances (USD in billions)	**Jul-May**	**23.8**	**22.7**	**↑ 4%**

The main drivers leading to this recovery and economic growth are agriculture, large scale manufacturing, taxation and trade and payments. The economic growth is expected to show further stability in 2025 and the government has projected an acceleration in Pakistan's economic growth with GDP of 3.5% for FY25.

The key highlights of Pakistan's economy during FY24 include the following:

- During FY24, tax collection experienced a growth of 30.6%, reaching Rs. 8,122 billion in July-May, as compared to Rs. 6,210 billion in the FY23. However, the tax authorities are confident to meet the assigned revenue collection target of Rs 9,400 billion for the remaining period of FY24.

- The current account recorded a deficit of $0.5 billion during July-March in FY24, compared to a deficit of $4.1 billion in the corresponding period of the previous year.

- Foreign exchange remittances rose to $23.8 billion in the past eleven months compared to last year, enhancing the current account balance.

- Foreign exchange reserves held by the SBP stood at $8 billion as of March 2024, marking a significant increase from $4.5 billion recorded in June 2023.

- Net foreign direct investment (FDI) inflows totaled $1.9 billion during July-March FY24, reflecting a 2.9% decline from the $2 billion recorded in the corresponding period of the previous year.

- The policy rate underwent a modest increase, rising to 22% from 21% compared to the previous year, showing signs of moderate economic recovery during FY24.

- The PSX KSE 100 index saw a substantial increase of 61.6%, specifically from 41,453 points to 67,005 points during the current fiscal year.

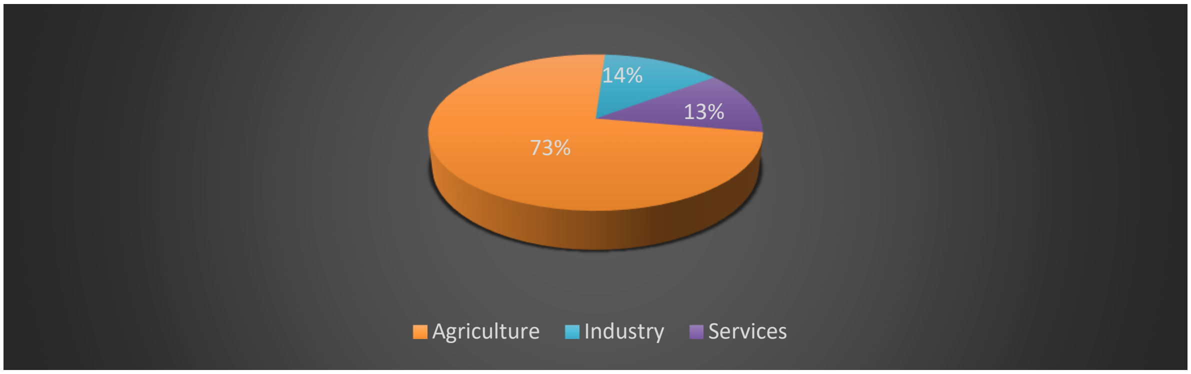
- Large scale manufacturing (LSM) experienced a small decrease of 0.1% in FY24, which marks a notable improvement from the substantial 7% decline in the previous year.

The above indicators clearly show that the fiscal year 2024 provided ample opportunities for the government to enhance economic stability. The economic outlook is promising with gradual improvements in industrial activities, a downward trend in inflation, and a stable external sector.

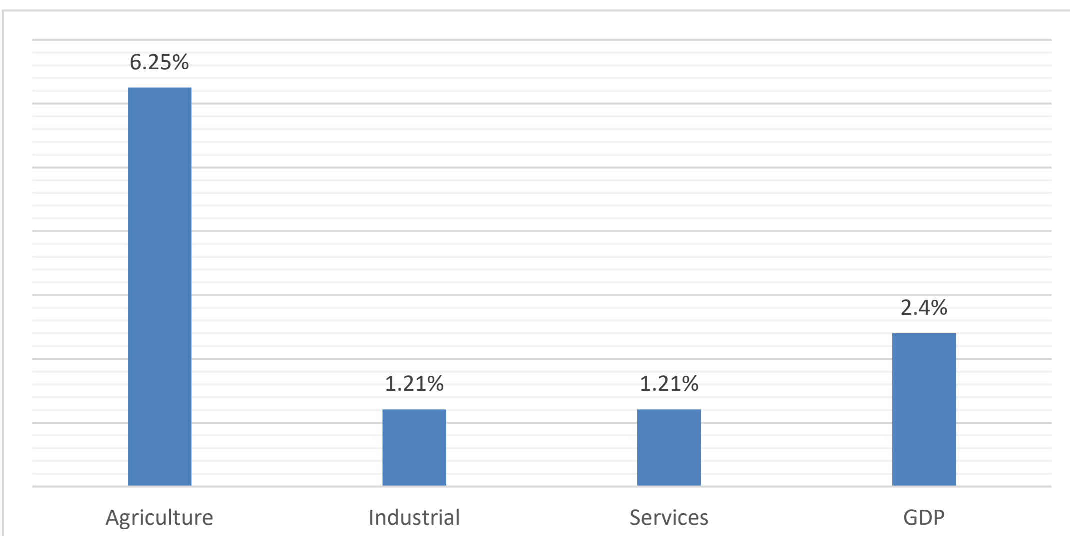
Key Economic Parameters					
	FY20 Actual	**FY21 Actual**	**FY22 Actual**	**FY23 Actual**	**FY24 Provisional**
GDP (USD in billions)	288	349	383	338	375
GDP growth (%)	-0.94	5.77	6.10	0.3	2.4
CPI (%)	10.7	9.66	11.3	28.2	26
Exports (USD in billions)	20	25	27	27.9	25.7
Imports (USD in billions)	37	52	60	55.3	43.4

Growth

Pakistan, like numerous other economies, possesses a varied economic structure comprising three principal sectors, namely agriculture, industry, and services, which contribute to the GDP in the following proportions:



Agriculture emerged as a main driver of economic growth in the current fiscal year and contributed to the growing GDP of 2.4%. Other factors that led to this economic stability include large sale manufacturing, services and taxation. The trend during FY24 in these sectors is shown below:

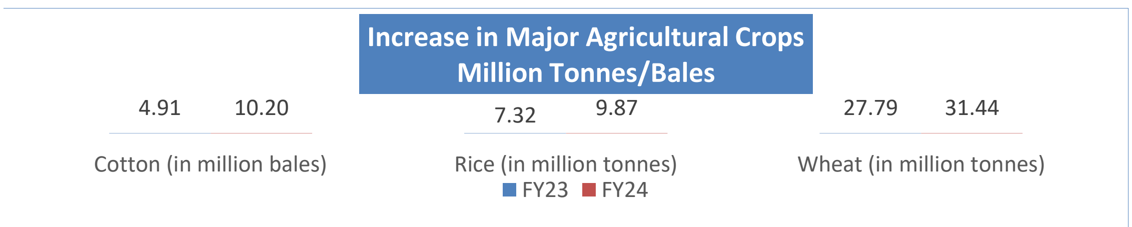


GDP

The provisional GDP growth rate for FY24 is posted at 2.4%, a significant improvement from the 0.29% GDP growth rate in FY23. Despite a challenging start to FY24, during the review period, exports in services rose meagerly by 1.2% to $6.4 billion, compared to $6.3 billion in FY23. Meanwhile, imports in services surged by 20.8% to $8.3 billion, up from $6.9 billion in FY23. This was primarily attributed to government-led initiatives that enhanced input supply and credit disbursements.

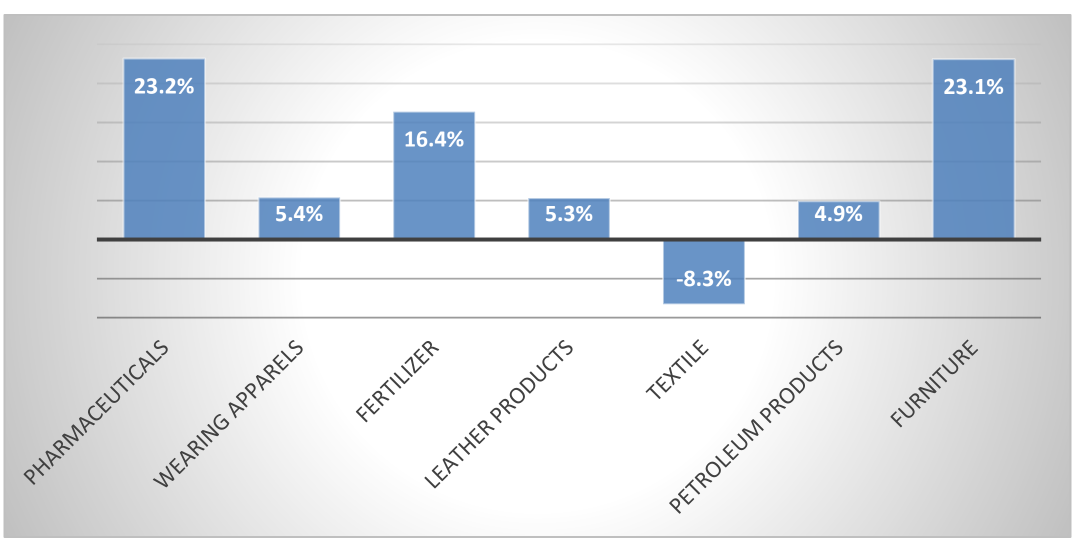
Agriculture

The agriculture sector has been the main contributor to economic growth this fiscal year, achieving a 6.25% increase in 2023-24, up from 2.27% in the previous year. Key crops saw significant increases: cotton production rose by 108.2% to 10.2 million bales, rice production grew by 34.8% to 9.9 million tonnes, and wheat production reached a record 31.4 million tonnes, up 11.6%. Other crops showed positive growth, including fruits (8.4%) and vegetables (5.7%), leading to an overall crop growth of 0.90%. Despite marginal decline in sugarcane (0.39%) and maize (10.4%), the cotton ginning sector witnessed 47.23% increase. Livestock, forestry, and fishing sectors grew by 3.89%, 3.05%, and 0.81%, respectively. The following illustrates the substantial growth of major crops compared to the previous year:



Industry

The industrial sector of Pakistan is predominantly led by the manufacturing sector. Despite holding a strong position and displaying a growth trend in the past, the LSM sector contracted marginally by 0.1% in FY24 a marked improvement from the severe 7% contraction in the previous year. The automobile and petroleum industry struggled due to skyrocketing input costs and restrictive financing, synchronized policies, and the high base effect. Cement dispatches rose by 2.45% in FY24 compared to subdued performance in FY23. These factors are expected to continue impacting LSM output in the upcoming months. However, amid this contraction, a few sectors namely food, apparel, leather, wood, furniture, pharmaceuticals, rubber and sports (football) showed an upward trend. The trend during FY24 in the industrial sector is shown below:



On the other hand, costs surged significantly for water, electricity, gas, and other fuels. This heavy consumer goods category experienced a 28.4% increase, up from 13.6% the previous year. The rise in domestic energy costs was primarily driven by currency depreciation, global oil price volatility, and higher energy tariffs. To secure a sustainable energy future, the government has established the Special Investment Facilitation Council (SIFC) to streamline business processes through a collaborative approach involving all stakeholders. This initiative aims to unlock Pakistan's potential in defense production, agriculture, mining, IT, and energy by attracting both domestic and foreign investments.

Services

This sector mainly depends on performance of other sectors in the economy. The month of March 2024 witnessed a notable expansion in the services sector. Simultaneously, the combined output growth of the manufacturing and service sectors surged in both developed and emerging markets during this period. Exports in services meagerly increased by 1.2%, amounting to $6.4 billion. Conversely, imports in services surged by a significant 20.8%, reaching $8.3 billion compared to $6.9 billion in the same period the previous year. Consequently, the trade deficit in services widened to $1.9 billion, a notable increase from $0.5 billion recorded in FY23. However, in April, the global service sector once again surpassed the manufacturing sector in performance. Service business activity surged at the most rapid pace since FY23, with robust growth observed across the business, consumer, and financial services sectors.

FBR Tax Collection

On the revenue side, a significant improvement in both tax and non-tax collections propelled a solid 41% increase in total revenues. Throughout Jul-Mar FY24, total revenues surged to Rs 9,780.4 billion from Rs 6,938.2 billion the previous year. Non-tax revenues saw a notable 90.7% growth, fueled by higher receipts from SBP profits, petroleum levies and royalties on oil and gas. Total tax collection (federal and provincial) surged by 29.3% to Rs 7,262.5 billion, compared to Rs 5,617.7 billion last year.

According to the latest data, FBR net provisional tax collection climbed by 30.6% to Rs 8,122 billion in Jul-May FY24, up from Rs 6,210 billion last year. Within this total, direct tax increased by 39.7%, sales tax by 19.5%, FED by an impressive 61.0%, and custom duty by 19.4%

The government of Pakistan has proposed a tax hike from 35% to 45% in non-corporate business sector. This will significantly reduce business individuals' take-home income, despite already contributing substantially to tax revenues.

Trade and payments

During the period of July to April of FY24, exports surged by 23.4% to $28.6 billion compared to $23.2 billion in the FY23. During the same period, imports decreased by 5.3% to $43.4 billion compared to $46.9 billion in the previous year. This growth in trade is driven by relaxed import restrictions that strengthened supply chains for export industries.

On the external front, Pakistan's current account deficit decreased by 84.8% to $0.5 billion during July-March FY24. In comparison, during the same period last year, the current account deficit stood at $4.1 billion. This improvement was primarily driven by subdued domestic demand, lower global commodity prices, and the effective negotiation and implementation of a nine-month SBA with the IMF. Remittances during July-March FY24 reached $21.0 billion, up from $20.8 billion last year.

Inflation

Throughout Jul-Apr FY24, inflation stood at 26.0%, down from 28.2% during the same period in the previous year. On a monthly basis, inflation declined by 0.4% in April 2024, contrasting with a 1.7% increase in the preceding month.

The inflation outlook continues to trend downwards, mainly due to elevated inflation levels in the previous year. A key aspect of this strategy lies in ensuring ample availability of essential food items, pivotal in mitigating inflationary pressures. By effectively managing supply and demand dynamics, the government is able to stabilize prices and mitigate market volatility.

Capital markets

During July-April FY24, the PSX showcased robust performance. The KSE-100 index surged by 4,097 points, closing at 71,103 points by April 30, 2024. Additionally, the market capitalization of PSX soared by approximately Rs 300 billion, reaching Rs 9,447 billion. Despite volatility in major global stock market indices during April 2024, the KSE-100 index saw a remarkable 6.1% increase.

Currency

During the current fiscal year, in the Inter-bank market, the local currency value stood at a level of Rs. 278.50/USD as of 6 June 2024. The Rupee has been stable against the USD with a depreciation of 19.7% from the FY23.

Future Economic Outlook

As the fiscal year draws to a close, economic indicators point to a strengthening of stability across the real, fiscal, and external sectors. GDP growth is ascending, while inflation rates are declining, indicating the efficacy of recent fiscal consolidation endeavors. Agriculture has emerged as a significant driver of this fiscal year's economic resurgence, credited to government-led initiatives that bolstered input supply and credit disbursements.

Fiscal measures have bolstered both tax and non-tax revenues, contributing to a stable fiscal deficit, while enhancements in the current account balance underscore a healthier external sector propelled by improved trade balances and augmented foreign direct investment.

The economic outlook is promising as industrial activities gradually improve, inflation continues its downward trajectory, and the external sector remains stable. Looking ahead, the economy is poised to gain momentum in the upcoming months of this fiscal year.

However, IMF has forecasted a 3.5% growth in Pakistan’s economy for FY25 and the government targets the same to be achieved. The IMF acknowledges the balanced risks inherent in the global outlook but issues a cautionary note regarding the potential repercussions stemming from geopolitical tensions and elevated interest rates. It underscores the imperative for central banks to effectively navigate inflation reduction, emphasizing the necessity of medium-term fiscal consolidation to uphold economic stability and facilitate essential reforms. Nevertheless, the government should exercise caution and take appropriate measures to ensure the desired outcomes. Some recommended measures may include:

- Curtailing the primary deficit within the budget, while instituting tax reforms to broaden the tax base.

- Ensuring a smooth and un-interrupted supply chain of essential commodities, thereby safeguarding the purchasing power of consumers.

- Lowering interest rates is vital to stimulate economic activity and encourage investment, thereby alleviating the burden of debt servicing and fostering sustainable economic growth.

- Simplifying tax laws by modernizing tax structures through automation and exploring innovative avenues for taxation will streamline compliance processes and promote greater revenue generation for the government.

- Implementing an exchange rate regime that aligns with economic fundamentals to stabilize the value of the Pakistani Rupee and foster confidence in the currency's stability.

THE FINANCE BILL 2023-HIGHLIGHTS

INCOME TAX ORDINANCE, 2001

The bill proposes the following measures:

Revenue Measures

- Highest income tax slab rate on non-salaried individuals and association of persons proposed to be increased from 35% to 45%. Progressive tax rates on each level of income also increased ranging from 15% to 45%.

- Progressive tax rates on salaried individuals are proposed to be increased whereas maximum tax rate remains the same at 35%

- Progressive advance tax rates are proposed on property transactions on buyers and sellers for filers, late filers and non-filers with higher tax rates.

- Increase proposed in advance tax rate on profit on debt for non-filers from 30% to 35%.

- Increase proposed in advance tax rate on non-filers wholesalers and retailers from 0.1% to 2.5%.

- Flat tax rate of 15% is proposed on capital gain on immovable property acquired from July 1st, 2024 and onwards. However, for non-filer rate of tax 15% will be minimum tax.

- Capital gain on immovable properties acquired prior to July 1st, 2024 will remain subject to existing tax rates and tax exemptions.

- Flat tax rates of 15% is proposed on capital gain on sale of listed securities acquired in July 2024 and onwards. For non-filers, rate of tax 15% will be minimum tax.

- Increase proposed in tax rate from 15% to 25% for dividends from mutual funds earning income of 50% or more from profit on debt.

- The bill proposes to increase rate of withholding tax on capital gain on sale of units of mutual fund and REIT scheme from 10% to 15%.

- The bill proposes to increase withholding tax rate on supply of toll manufacturing of goods from 5% to 9% and 5.5 to 11% in case of company and in any other case respectively.

- The profits of exporters of goods are brought in the normal tax regime instead final tax regime. The tax collected at the rate of 1% is to be treated as minimum tax. In addition to minimum tax the exporters are also require to pay 1% tax which will be adjustable against final tax liability.

- Travel bar proposed on foreign travel for non-filers, except NICOP holders, minors and students.

- The exemption certificate facility is proposed to be withdrawn on payments to residents as well as non-residents.

- Mandate documentary evidence required to support advance tax estimate. In the absence of estimate the Commissioner will estimate the turnover to 120% instead of 110% of the turnover of the latest tax year.

- The Board is empowered to notify minimum values for calculating tax on goods at the import stage.

- Changes proposed in respect of advanced tax collection on registration of motor vehicle from engine capacity to value basis.

- The 10% tax required to be collected by person purchasing shares of a un-listed company is proposed to be paid within fifteen days earlier of the payment or registration of shares by SECP or SBP. Earlier it was to be paid at the time of actual payment.

- The collection of tax under section 236 in the case of non-active persons mentioned in income tax general order issued under section 114B is proposed to be increased from 15% to 75% of the bill amount or sale price.

- Sale promotion, advertisement and publicity expenses are proposed to be disallowed to the extent of 25% of the expected income on payments of royalty and other intangibles between associates.

- Default surcharge rate is proposed to increase from 12% to KIBOR + 3% per annum.

- Benefit of reduction in tax liability of full time teacher and researcher is proposed to be withdrawn.

Relief Measures

- The bill extends tax exemption and withholding tax reliefs to FATA/PATA regions until June 30, 2025.

- Pakistan International Airlines Corporation Limited losses are proposed to be set-off till ten years instead of six years.

Streamlining Measures

- The bill clarifies that tax credit under section 65F only applies to income from coal mining projects in Sindh supplying coal to power generation project.
- AOPs with turnover of Rs. 300 million or more is required to submit audited financial statements.
- Resident individuals are to disclose foreign assets in their wealth statements.
- Commissioner is bestowed power to pass the best judgment assessment where person fail to file the return of income.
- Mandate documentary evidences to be provided to support advance tax estimates, if lower tax is envisaged.
- Clarify that the super tax is applicable to banking companies for the tax year 2023 and sonwards.
- The banking sector cannot take tax advantage of IFRS 9 implementation.
- Penalties are proposed for not notifying the discontinuation of business, non-registration of Tajir Dost Scheme and on filing incomplete particulars in return.

THE SALES TAX ACT, 1990

The bill proposes the following incentives and reliefss

- Exemption of the un-branded fresh milk
- Exemption on import of goods received in natural disaster as gift from foreign governments by the Federal/Provincial Government subject to specified recommendations and conditions.

The bill imposes the following burden of sales tax

- Chargeability of DAP fertilizers under the Third Schedule which is presently exempt.
- Abolishment of zero rating for local supplies of raw materials, plant and machinery etc. to registered exporters under Export Facilitation Scheme, thus become subject to sales tax.
- Chargeability of sales tax at 18% for mobile phones having value less than USD 500
- Sales tax on plant & machinery and electricity in tribal areas are proposed to be taxed at reduced rate which are exempt presently.
- Withdrawal of zero rating on certain stationery items branded and pack milk including fat filled milk
- Taxability at standard rates of 18% on medicaments from 1% regime
- 80% withholding sales tax on supply of coal, gypsum, crush stone and plastic waste etc,

The bill proposes the following streamlining measures

- Exemption of sales tax on POL products which were previously zero rated supply
- Extension of cut-off date from June 16, 2024 to September 16, 2024 for transfer of appeals from the Commissioner Appeals to the Appellate Tribunal for cases of Rs 10 million and above.
- Instance of Tax frauds elaborated and scope is proposed to be enlarged.
- Sales tax to be levied on advances received or upon delivery of goods or available for use whichever is earlier.

- Structural changes in the assessment provisions by introducing best judgement assessments, withholding assessments and limitation for assessments

- Changes in the audit provisions by introducing investigative audit covering tax frauds along with the specific framework.

- Implementation of e-invoicing system to be introduced through licensed integrator for the registered persons.

- Change in default surcharge rate from 12% per annum to KIBOR + 3% per annum

FEDERAL EXCISE DUTY

- Retail outlets selling non-tax paid or smuggled cigarettes are proposed to be sealed.
- FED on first allotment of residential property as well as first allotment/ subsequent transfer of commercial property.
- FED introduced on acetate tow.
- Installation/ removal of plant and machinery exceeding value of rupees fifty million and commencement of production on such plant and machinery without prior approval of the Commissioner to attract fine and/ or imprisonment.
- Rate of default surcharge increased from fixed rate of twelve percent to KIBOR + 3%.

THE CUSTOMS ACT, 1969

- "nuclear material" and "radioactive material" defined to implement the National Nuclear Detection Architecture (NNDA) Regime.
- Establishment of the Directorate General of National Targeting Centre is proposed as a unified enforcement hub for all Law Enforcement Agencies.
- Formation of the Directorate General of Trade-Based Money Laundering to address trade-related money laundering offenses.
- Delegation of powers to member of the Board under the Custom Act harmonized with the Federal Board of Revenue Act.
- Intelligence Bureau included among agencies for assistance of the Customs Officers.
- Power to extend goods detention shifted to the Additional Collector of Customs or Additional Director from the Chief Collector or the Director General.
- Introduction of two new penal clauses to address offenses related to nuclear and radioactive materials.
- Individuals illegally removing, exchanging, or disposing of seized goods to face penalties up to ten times the value of the goods and imprisonment up to six years.

- Obstructing, threatening, or assaulting Customs Officers to be fined not less than one hundred thousand rupees and imprisonment up to two years.

- System improvements aimed at accelerating the disposal of pending cases in the Customs Appellate Tribunal.

- Changes made to ensure swift case decisions in the High Courts, adhering to principles of natural jsustice and fair trial.

- Strengthening the Alternate Dispute Resolution mechanism.

- Introduction of new PCT codes for imposing custom duties on rice flour and other items.

- Exemption from customs duties proposed on machinery and raw materials imported by local assemblers/manufacturers of PV Modules.

- Exemption from customs duties proposed on livestock imported for research purposes.

- Customs duties @ 20% and @ 10% proposed on printed circuits for home appliances and glass boards for TV panels, respectively.

- Customs duty on the import of electric vehicles valued above USD 50,000 is proposed to be increased to 50%.

AMENDMENT OF THE PETROLEUM PRODUCTS (PETROLEUM LEVY) ORDINANCE, 1961 (XXV OF 1961)

Petroleum levy is proposed to be increased by Rs 20 on petrol and diesel, Rs 25 on light diesel and high octane, e10 gasoline

AMENDMENT IN THE ABANDONED PROPERTIES (MANAGEMENT) ACT, 1975 (XX OF 1975)

The proposed amendment diminishes the power of the citizen to apply for the refund on the entitlement for abundant properties.`

SUMMARY OF CHANGES IN THE INCOME TAX ORDINANCE, 2001

Section

2 (8) Definition of 'Board' widened

The proposed amendment seeks to delegate the powers of the Federal Board of Revenue (FBR) to any of its members. Such enabling provisions are available in section 8 of the FBR Act 2007 that the Board can delegate its powers to any one including a member appointed under the Act. The purpose and intent behind the proposed change appears to achieve expeditious decision making and execution of the functions of the Board.

Under the delegated authority any member can take any decision without first obtaining prior approval of the Board which may deprive the principle of collective wisdom behind such decisions.

37(6) Capital gain-withholding tax on sale of shares

This section was introduced through the Finance Act, 2023 whereby the person acquiring a capital asset being shares of the company shall deduct advance tax from the fair market value actually paid as consideration for the purchase of shares and deposit such tax @ 10% of within 15 days from the date of the actual payment.

The bill seeks to modify the timing of withholding tax that the tax will be deducted and deposited at the time of actual payment or at the time of transfer of title of shares, whichever is earlier, in the records of the Securities and Exchange Commission of Pakistan or the State Bank of Pakistan as the case may be.

57(2C) Carry forward of loss-PIACL

The contents of section 57 of the Ordinance stipulate six years period to carry-forward of losses for off-set against future income. The bill seeks to provide specific relief to Pakistan International Airlines Corporation Limited (PIACL) whereby its losses can be carried forward for a period of ten years to off-set against future profits. Thus, it is a tax relief measure for the state-owned enterprise to facilitate it's privatization to the potential buyer by way of tax incentive.

Section

65F (1) Explanation on tax credit to coal mining project in Sindh

This section provides hundred percent tax credit on tax payable under any provisions to this Ordinance to persons engaged in coal mining projects in the Province of Sindh supplying coal exclusively to power generation projects.

The proposed amendment is clarificatory in nature by way of adding an 'Explanation' appended to sub-section (1) that the tax credit shall be available to income from coal mining operations in the Province of Sindh supplying coal to power generation projects. Before the proposed insertion it could have been misconceived that all the incomes of such a person were subject to one hundred percent tax credit. The proposed insertion removes any ambiguity about the type of income that can avail tax credit benefit.

92(1) Requirement of audit of Association of Persons (AOP)

Presently the tax law stipulates that when an AOP pays tax on it's income, the share of it's members is exempt from tax. The proposed amendment requires that an AOP has to file, alongwith it's return of income financial statements duly audited by a chartered accountant or a cost and management accountant where the annual turnover of current or preceding tax year exceed rupee three hundred million. If AOPs do not file the audited financial statements along with their returns of income, the members will not be able to claim exemption from tax on the share of income from the AOP.

The purpose behind the proposed change is to ensure that the financial statements of AOP are authentic and reliable.

100BA (1) Rule (81B) Punitive Measure for Non-filer

Presently the tax law prescribes the date of March 1 next following the last date of filing of income tax return. The proposed change renders any person a non-filer after the date of filing or extended date of filing of return of income expires. Such a person would become a late-filer and would be subject to enhanced rate of taxes as provided in the 10^{th} Schedule to the Income Tax Ordinance, 2001.

The purpose behind the proposed change is to couped taxpayer to file their tax returns on a timely basis and pay their taxes on due dates as provided in the law.

Section

108(6) Transactions between Associates

Section 108 of the Ordinance governs transactions between associates. An overriding sub-section (6) is proposed to be added which stipulate that in case any taxpayer claimed as a deduction for the tax year or any of the two preceding tax years for royalty to an associate whether directly or indirectly and at the same time is also claiming tax admissible expenditure under the head sales promotions, advertisement and publicity, the same would be disallowed to the extent of twenty five percent of the claim. Such disallowed amount shall be allocated to the associate against its' royalty income.

The royalty paid or payable to an associate include brand name, logo, patent, invention, design in model, secret formula or process, copyright, trademark, scientific or technical knowledge, franchise, license, intellectual property, or other similar property or rights, including contractual rights.

It is an extremely harsh measure as publicity expenditure is incurred to continuously promote sales and profit of the entity. Thus has no nexus with the royalty and other such payments. Further, the royalty income is taxable under final tax regime against which no expenditure can be claimed.

114B (2)(d) Powers to enforce filling of returns

Presently the provisions of section 114B which were introduced through the Finance Act, 2022 stipulate that the persons not appearing on the active taxpayers' list should file their returns of income in order to become filer. To enforce compliance, FBR had introduced measures such as disabling their mobile and phone services, discontinuing electricity and gas connections for such non-active taxpayers.

In order to further broaden the tax base, the bill seeks to restrict foreign travel of such non-filers from the country except for the holders of the National Identity Card for Overseas Pakistanis (NICOP), minors, students, and other specified classes of persons as notified by the Board.

The proposed amendment aims to broaden tax net and increase number of filers of tax returns.

116 (1) Wealth Statement

The proposed amendment requires all resident individual taxpayers having foreign assets to declare such amounts in their wealth statements irrespective of any monetary threshold.

Section

An ambiguity existed in some quarters of resident taxpayers that the law requires declaration in the wealth statement of Pakistan based assets only.

Also, such ambiguity gained strength with insertion of section 116A through the Finance Act 2018 which stipulated declaration of foreign income not less than USD ten thousand and foreign assets not less than USD one hundred thousand.

With the proposed insertion the above ambiguity stands removed as the law requires declaring of assets “including foreign assets”. This change is positive in nature.

121(1) (aa) **Best Judgment assessment**

Presently the law empowers the Commissioner to make best judgment assessment of the taxable income and recover the tax due thereon where person fails to:

- file the return of income in response to the notice issued under section 114 of the Ordinance for filing of the return;
- file return due on non-resident aircraft owner or charterer under section 144;
- file return due on persons about to leave Pakistan as per section 145; and
- produce documents in proceedings under section 177 of the Ordinance.

The bill proposes to also insert in the above list such person who fails to furnish the return upon discontinuing the business. Under the provisions of section 117 of the Ordinance person discontinuing the business are obligated to file the return of income within 15 days of the discontinuing the business.

122A **Revision by the Commissioner**

Presently the law authorizes the Commissioner on a suo moto basis to call for the record of any proceedings in which an order has been passed by any Officer of Inland Revenue other than the Commissioner (Appeals). Through the Tax Laws Amendment Act of 2024 an insertion was made to restrict such power by placing monetary threshold of tax or refund which does not exceed twenty million rupees.

The proposed amendment seeks to remove the words the Commissioner (Appeals) as well as the monetary threshold of rupees twenty million of tax amount or refund. The bill seeks to authorize the Commissioner of amend all assessments whether or not the order being amended has attained finality after passing through the appellate stage of Commissioner (Appeals).

Section

The Commissioner now has the powers to revise an order where the value of the assessment or the refund, as the case may be does not exceed rupees twenty million. With the proposed changes implemented the principle of merger of appellate order with amended order will be defeated which is well established principle in the appellate history of taxation.

It appears that it may also be an inadvertently error to remove the Commissioner (Appeals) for the section.

124 **Assessment giving effect to an appellate order**

Section 124 of the Ordinance prescribes the time limit of two years for passing appeal affects orders passed by appellate forums including the Commissioner (Appeals).

Through the Tax Laws (Amendments) Act, 2024 in line with the pecuniary limit for filing an appeal before the Commissioner (Appeals) when the tax or refund involved is Rs 20 million only, the corresponding changes are also made in the section.

126A **Pecuniary jurisdiction in appeals**
127

The section was introduced in the statute book through the Tax Laws (Amendment) Act, 2024 which provides pecuniary limits in appeals that where value of assessment of tax or, as the case may be, refund of tax does not exceed twenty million rupees, the appeal shall lie to the Commissioner (Appeals). In case of pecuniary limits exceed twenty million rupees, the appeal shall lie directly to the Appellate Tribunal.

A person or, as the case may be, officer of Inland Revenue aggrieved by an order passed by the Commissioner (Appeals) or the Appellate Tribunal may file a reference before the High Court in accordance with section 133 within 30 days.

The cases pending before the Commissioner (Appeals) having the value of assessment of tax or refund exceeding twenty million rupees shall on and from June 16, 2024 stand transferred to the Appellate Tribunal Inland Revenue which shall decide the case within 180 days.

The bill also seeks to extend the deadline from June 16, 2024 to September 16, 2024 for transfer of pending cases before the Commissioner (Appeals) to the Appellate Tribunal where value of assessment of tax or, as the case may be, refund exceeding rupees twenty million.

The bill also seeks to insert an explanation in the section that value of assessment of tax means the net increase in the tax liability of a person as a result of an order sought to be assailed and value of refund means net reduction in refund as a result of an order sought to be assailed.

Section

130 Constitution of Appellate Tribunal

This section was substituted vide the Tax Laws (Amendments) Act, 2024. The substituted section provides for the establishment of an Appellate Tribunal Inland Revenue, with provisions regarding the appointment of members, tenure, removal, and powers as follows:

- An Appellate Tribunal Inland Revenue will be established to exercise jurisdiction conferred by the Ordinance.

- Existing members, including the Chairman, shall continue to hold office under the same terms and conditions until the completion of their term of office or earlier removal as per specified grounds.

- The Appellate Tribunal shall consist of members who shall be appointed by the Federal Government in such numbers, in accordance with such procedure and on such terms and conditions as the Federal Government may prescribe by rules, which shall be made and take effect notwithstanding anything contained in section 237 of this Ordinance or the Federal Public Service Commission Ordinance, 1977 (XLV of 1977) or any other law or rules, for the time being in force.

- A person shall be eligible to be appointed as a member of the Appellate Tribunal if he-

  - is an advocate of a High Court for not less than fifteen years and possesses such other qualifications as may be prescribed by rules;

  - has for a period of not less than ten years practiced professionally as a chartered accountant within the meaning of the Chartered Accountants' Ordinance, '1961 (X of 1961);

  - is an Officer of the Inland Revenue in BS-21 or above; or (d) is an Officer of the Inland Revenue in BS-20, having served in such grade for three years or more.

- The Chairman, as appointed by the Federal Government, shall hold office for a period of three years provided that the Federal Government may reappoint the Chairman for such further term or terms as it may deem appropriate.

Section

- The members including, the Chairman shall cease to hold office on attaining the age of sixty-two years:

  - Provided that the members, being an Officer of Inland Revenue, shall cease to hold office on attaining the age of superannuation, under the law regulating their service.

  - Provided that a member including the Chairman may be removed by the Federal Government, on the recommendation of performance review committee, to be constituted by the rules, at any time before the expiry of his term or attaining the age of superannuation, as the case may be, on grounds, inter-alia, of inefficiency or misconduct, as prescribed by the rules.

The procedure of the Appellate Tribunal Inland Revenue including constitution of benches, case management system, distribution of cases and other matters ancillary or incidental thereto shall be regulated by the rules.

131 Appeal to the Appellate Tribunal

This section was substituted through the Tax Laws (Amendments) Act, 2024.

Any person, other than an State-Owned Enterprise (SOE), aggrieved by an order having value of assessment of tax or refund exceeding twenty million rupees may prefer an appeal directly to the Appellate Tribunal within thirty days. Whereas an SOE was to file for formation of Alternate Dispute Resolution Committee (ADRC) proceedings upon passing of the amended order. An SOE is only entitled to file an appeal before the Appellate Tribunal if the ADRC has been dissolved by the Board under sub-section (11) of section 134A of the Ordinance.

The bill seeks to make corresponding amendments to omit the words "or the Commissioner (Appeals)" in line with the recent amendments regarding jurisdictions of appeals introduced vide the Tax Laws (Amendments) Act, 2024.

132 Disposal of appeals by the Appellate Tribunal

This section was substituted vide the Tax Laws (Amendments) Act, 2024.

Section

The Appellate Tribunal shall decide appeals within 90 days of its filing and where an appeal is not decided within the aforesaid period, the Appellate Tribunal shall seek condonation from the Minister of Law and Justice and such condonation shall not extend beyond 30 days. However, appeals pending before the Appellate Tribunal on the date of commencement of the Tax Laws (Amendment) Act, 2024 (of 2024), shall be decided in 180 days.

The Appellate Tribunal shall ensure strict adherence by the taxpayer and the Commissioner to the hearing schedule as prescribed and shall hear and decide the appeal on the date or dates fixed, and no adjournment shall be granted except:

- where there are compelling reasons for adjournment, to be recorded by the Appellate Tribunal; and
- on mandatory payment of such cost as the Appellate Tribunal may deem fit, which shall not be less than Rs 50,000.

133 Reference to the High Court

This section was substituted vide the Tax Laws (Amendments) Act, 2024.

The substituted section provides for the modification of the procedure for referring cases to the High Court, including the establishment of special benches, time limits, and application fees.

A reference is to be filed before the High Court within thirty days of the communication of the Appellate Tribunal’s order. Within 30 days of the communication of the order of the Appellate Tribunal (as compared to 90 days under the existing provisions of the Ordinance), the aggrieved person or the Commissioner may file a reference, in the prescribed form, along with a statement of the case, before the High Court, stating:

- any question of law or
- a mixed question of law and fact arising out of such order.

The appellant shall also file complete record of the Appellate Tribunal within 15 days of preferring an application under this section.

Section

The statement to the High Court referred to above, shall set-out the facts, the determination of the Appellate Tribunal and the question of law or the mixed question of law and fact which arises out of its order.

The composition and procedures for hearing references by the High Court:

- Where, on an application made, the High Court is satisfied that a question of law or the mixed question of law and facts arises out of such order, it may proceed to hear the case.

- A reference to the High Court under this section shall be heard by a special bench or special benches, as the case may be, to be constituted, by the Chief Justice, as deem necessary, constituted for hearing cases under this section, comprising of not less than two judges of the High Court and, in respect of the reference, the provisions of section 98 of the Code of Civil Procedure, 1908 (Act V of 1908), shall apply, so far as may be, notwithstanding anything contained in any other law for the time being in force.

- The special bench shall decide a reference within six months from the date of its filing.

Time frames for deciding references, establishment of a case management system, and communication of the High Court's judgment:

- The High Court shall establish a case management system to ensure that sufficient number of special benches are constituted, so as to ensure that a reference filed under this section is decided within the stipulated six months. Under the existing provisions of the Ordinance, no such time limit is provided for decision of reference by the High Court.

- The High Court upon hearing a reference under this section shall decide the question of law or the mixed question of law and fact raised by the reference and pass judgment thereon specifying the grounds on which such judgment is 'based and the Appellate Tribunal's order shall stand modified accordingly.

- The Court shall send a copy of the judgment under the seal of the Court to the Appellate Tribunal.

Provisions regarding payment of tax, stay of recovery, and limitation for filing applications are outlined:

(a) Notwithstanding that a reference has been filed before the High Court, the tax shall be payable in accordance with the order of the Appellate Tribunal.

Section

(b) Provided that the tax recovery shall not be made by the Commissioner for 30 days from the date of communication of the order of the Appellate Tribunal.

(c) Provided further that, if the amount of tax is reduced as a result of the judgment in the reference by the High Court and some amount of tax is found to be refundable, the High Court may, on application by the Commissioner within 30 days of the receipt of the judgment of the High Court that the taxpayer wants to prefer petition for leave to appeal to the Supreme Court, make an order authorizing the Commissioner to postpone the refund until the disposal of the appeal by the Supreme Court.

(d) On an application filed in a particular reference and after providing an opportunity of being heard to the Commissioner' the High Court may stay recovery of tax, subject to deposit with the assessing authority of not less than thirty percent of the tax determined by the Appellate Tribunal.

(e) Where recovery of tax has been stayed by the High Court by an order, such order shall cease to have effect on the expiration of a period of six months following the day on which it was made unless the appeal is decided or such order is withdrawn by the High Court earlier.

(f) Section 5 of the Limitation Act, 1908 (lX of 1908), shall apply to an application made to the High Court under sub-section (1).

(g) A reference application shall be accompanied by a fee of Rs 50,000.

(h) No reference application, filed by the Commissioner, shall be entertained unless it is accompanied by a written authorization by the relevant Chief Commissioner.

134A Alternative Dispute Resolution

This section was substituted vide the Tax Laws (Amendments) Act, 2024. An aggrieved person may apply to the Board for the appointment of a Committee for the resolution of any hardship or dispute pertaining to:

(a) the liability of tax of Rs 50 million or above against the aggrieved person or admissibility of refund' as the case may be;

(b) the extent of waiver of default surcharge and penalty; or

(c) any other specific relief required to resolve the dispute, except where criminal proceedings have been initiated'

Section

The application for dispute resolution shall be accompanied by:

- an initial proposition for resolution of the dispute, including an offer of tax payment; and
- an undertaking that the applicant shall accept the decision of the Committee which shall be binding on him in all respects and shall on receipt of the decision immediately withdraw any and all pending litigation or cases of any kind in respect of the dispute' mentioning details thereof.

In case of SOE, the limit of tax liability of Rs 50 million or above shall not apply and it shall be mandatory for such aggrieved SOE to apply to the Board for the appointment of a Committee for the resolution of any dispute under this section and it shall withdraw any and all such pending litigation and cases immediately. However, where the Committee has been dissolved by the Board under sub-section (11), the SOE can file an appeal with the Tribunal.

147, (4) and (6A)

Advance tax paid by the taxpayer

The proviso to sub-section (4) of the section 147 provides that where taxpayer being an AOP or a company fails to provide turnover or turnover for the quarter is not known, the taxpayer should consider the one hundred and ten percent of the turnover of the latest tax year for which the return has been filed for the purpose of calculation of turnover and tax liability for the said quarter.

The bill proposes to enhance the estimate from one hundred and ten percent to one hundred and twenty percent for the purpose of calculation of estimated turnover of the quarter and estimated advance tax liability payable under section 147 of the Ordinance.

The bill seeks to insert 6B in the statute book elaborating the provisions of filing own estimate of lower tax. The evidences to be provided to the Commissioner include:

- turnover of completed quarter;
- estimated turnover of the remaining quarter;
- Provide evidence of expenses or deduction for computing income;
- Evidence of tax payments and tax credits; and
- Computation of estimated tax liability.

Section

The Commissioner is empowered to decline the estimate after providing an opportunity of being heard, if he is not satisfied with the documentary evidences or the estimate has been filed without the aforementioned documents.

The proposed insertion is extremely harsh and unreasonable for the purposes of advance tax calculation. The whole assessment process cannot be initiated by requiring to provide evidences of expenses and other required details.

There are plethora of judgements of the higher courts that the veracity of the estimate of advance tax filed by the taxpayer cannot be questioned by the tax department. Further for short payment of advance tax, the tax law already provide for additional tax should the advance tax fall short of ninety percent of the tax with the return of income.

148 Imports

The advance tax on import of goods is being collected by the Collector of Custom on the value of the goods as determined under the Customs Act, 1969 (IV of 1969).

The bill seeks to empower the Board to determine the minimum value of goods for the purposes of collection of advance tax at the import stage.

152 Payments to non-residents

Presently the Commissioner is authorized under sub-section (4A) to allow by order in writing any person to make payment under sub-sections (1A) and (2A) to a non-resident person or its Permanent Establishment (PE) in Pakistan being recipient of payment without deduction of tax or deduction of tax at reduced rates.

The bill seeks to omit the powers of the Commissioner to issue certificates without deduction of tax. After the proposed amendment, the person making payment will only seek approval to make payment at reduced rates as provided in the tax treaty or tax laws.

153 Payments for goods, services and contracts

Presently the Commissioner is authorized under sub-section (4) to allow by order in writing any person to make payment under sub-sections (1) to a recipient of payment without deduction of tax or deduction of tax at reduced rates.

The bill seeks to omit the powers of the Commissioner to issue tax exemption certificate. However, the bill authorizes the Commissioner to issue reduced rate certificate with 15 days of filing of an application if advance tax liability has been discharged. After the proposed amendment, the person making payment will only be allowed to make payment at reduced rates stipulated in the tax law or in the tax treaty.

154, 168 & 169 Division IV **Exports**

The bill seeks to exclude tax deducted under section 154(1) from the final tax regime to normal net income tax regime by making tax deducted under section 154(1) as a minimum tax. Consequent to the changes income of the exporters and tax deducted at source on export proceeds shall not be full and final discharge of tax liability.

The bill seeks a major shift into the taxation regime of exporters whereby, tax deducted on export proceeds shall not be final discharge of exporter's tax liability rather the tax deducted would be considered as a minimum tax on the income arising from exports to be taxed on net income basis. The tax deducted shall not be refunded, however if the tax on net income basis is more than tax deducted on export proceeds, the difference shall become payable by the exporters. The existing taxpayers who are presently out of the final tax regime will not be affected.

The bill proposes to insert clause 2A in Division IV which stipulates that the rate of tax 1% shall be deducted on the proceeds of export in addition to the tax deducted under paragraph (1).

This is a positive step towards the documentation of economy as this measure will require non-corporate exporters to maintain proper books of accounts in respect of the sales, cost of sales, stock-in-trade and other assets, liabilities and expenditures as a result of this change. However, the exchequer will not be at loss as it would not be required to refund the tax already deducted in case of returns filed by the exporter having tax losses.

Consequential amendments have been made in sections 168 and 169.

159 **Exemption or lower rate certificate**

Existing section 159 of the Ordinance empowers the Commissioner to issue exemption or reduced rate certificate on withholding of tax on payments to the taxpayer having exempt income or income subject to reduce rates or 100% tax credit under section 100C.

Section

The bill seeks to omit the option of exemption certificate. Hence, the certificate can only be issued for reduce rate. By omitting the option of exemption certificate, the taxpayer having exempt income and 100% tax credit under section 100C will be adversely affected.

182 **Offences and penalties**

The bill proposes to insert certain new penalties as under:

S No.	Offenses	Penalties	Section
(1AAA)	Where any person fails to furnish a return of income as required under sub-section (3) of section 117 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
12	Where any person fails to pay tax at the time of making payment as consideration of shares or at the time of registration of shares by the Securities and Exchange	Such person shall pay a penalty equal to fifty percent of the amount of tax involved	37(6)

	Commission of Pakistan or the State Bank of Pakistan, whichever is earlier.		
34	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)

191 Prosecution for non-compliance with certain statutory obligations

The proposed amendment seeks to enlarge the scope to cover if the person fails to file return for discontinued business in non-compliance of the notice by the Commissioner.

191 A Prosecution for failure to furnish information in return of income

The bill proposes to insert new section whereby prosecution can be initiated against any company including banking company and an association of person for failure to furnish information in return of income. Through the proposed change any company or AOP will be subjected to penalties by way of:

- levy these relevant particulars of return blank; or
- not filing file blank accounts; or
- file incomplete or irrelevant particulars so as to understate the tax liability

Section

If any person is convicted for non-compliance of the above, such a person shall be subject to fine for a year or imprisonment, or both.

191 B **Prosecution for non-registration**

The new section is proposed to be inserted whereby prosecution can be initiated against the traders and shopkeepers for failure to get registered for Tajar Dost Scheme with sentence of imprisonment which may extend to six months, or with fine, or both.

205 **Default Surcharge**

The bill proposes to enhance the rate of default surcharge. Currently, the default surcharge rate is at fixed rate of 12% per annum which is significantly lower than the prevailing KIBOR rate. Therefore, it is being proposed that the default surcharge rate to be increased to KIBOR rate + 3% per annum.

216(3)(kc) **Disclosure of information by a public servant**

A new clause is proposed to be inserted whereby protection is being extended to tax authorities for disclosure to National Database and Registration Authority to process and analyze such data for the purposes of broadening of tax base.

Earlier, through the Finance Act, 2022, NADRA agreed to share personal information of citizens with the FBR regarding broadening of tax base like identify any person whether a taxpayer or not, details of incomes, receipts, assets, properties, liabilities, expenditures, or transactions that have escaped assessment/are under-assessed/had been assessed at a low rate subjected to excessive relief or refund/mis-declared or misclassified under a particular head of income or otherwise.

236G **Advance tax on sales to distributors, dealers and wholesalers**

The bill proposes to enhance the scope of this section by including all the sectors of business for collection of advance tax from distributors, dealers and wholesalers at the time of sale to such persons by manufacturers or commercial importers.

Presently the advance tax is applicable on sales to the distributors, dealers and wholesalers 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 and paint or foam sector.

Section

236H **Advance tax on sales to retailers**

The bill proposes to enhance the scope of this section by including all the sectors of business for collection of advance tax from retailers at the time of sale to such persons by distributors, dealers, wholesalers, manufacturers and commercial importers.

Presently the advance tax is applicable on sales by the manufacturer, distributors, dealers, wholesalers or commercial importer to retailers 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 and paint or foam sector.

239 **Savings**

The new sub-section is proposed to be inserted in order to ensure that appeals, references, or revisions started prior to the Tax Laws Amendment Act, 2024 are decided under the legal framework that existed before the said Act.

THE FINANCE BILL 2024
INCOME TAX ORDINANCE, 2001

FIRST SCHEDULE
Part-I
Division-I

The bill proposes to substitute the existing tax slab rates for business individuals and AOP's other than salaried class of taxpayers.

Table

S#	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. 1200,000	15% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 1200,000 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

Impact of tax relief / (burden) on individuals and AOP's as a result of the proposed changes are:

Sr. No.	Taxable Income	Tax liability		Tax savings / (tax burden)	Tax savings / tax burden (+)
		Existing	Proposed		
	Rs.	Rs.	Rs.	Rs.	%
1	3,000,000	465,000	590,000	(125,000)	27%
2	5,000,000	1,115,000	1,370,000	(255,000)	23%
3	10,000,000	2,865,000	3,590,000	(725,000)	25%
4	15,000,000	4,615,000	5,840,000	(1,225,000)	27%
5	25,000,000	8,115,000	10,340,000	(2,225,000)	27%
6	50,000,000	16,865,000	21,590,000	(4,725,000)	28%
7	100,000,000	34,365,000	44,090,000	(9,725,000)	28%

The bill proposes to substitute the existing tax slab rates for individual salaried class of taxpayers.

Table

S#	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

Impact of tax relief / burden for salaried individuals as a result of the proposed changes are:

Sr. No.	Taxable Income	Tax liability		Tax savings / (tax burden)	Tax savings / tax burden (+)
		Existing	Proposed		
	Rs.	Rs.	Rs.	Rs.	%
1	3,000,000	300,000	380,000	(80,000)	27%
2	5,000,000	820,000	1,015,000	(195,000)	24%
3	10,000,000	2,495,000	2,765,000	(270,000)	11%
4	15,000,000	4,245,000	4,515,000	(270,000)	6%
5	25,000,000	7,745,000	8,015,000	(270,000)	3%
6	50,000,000	16,495,000	16,765,000	(270,000)	2%
7	100,000,000	33,995,000	34,265,000	(270,000)	1%

Division-III section 150

The bill proposes to enhance the tax rate on the dividend received from mutual fund which derives fifty percent or more of its income from profit on debt from 15% to 25%

Division-VII section 37A The bill proposes to substitute the existing table of tax rates on capital gain arising on listed securities for filer and non-filer.

Table

S. No	Holding Period	Rate of Tax on the disposal of securities acquired between 1st day of July, 2022 and 30th of June, 2024 (both dates inclusive)	Rate of Tax on the disposal of securities acquired on or after 1st day of July, 2024 *
(1)	(2)	(3)	(3)
1	does not exceed one year	15%	15%
2	exceeding one year but does not exceed two years	12.5%	
3	exceeds two years but does not exceed three years	10%	
4	exceeds three years but does not exceed four years	7.5%	
5	exceeds four years but does not exceed five years	5%	
6	exceeds five years but does not exceed six years	2.5%	
7	exceeds six years.	0%	

**** Rate of Tax on the disposal of securities acquired on or after 1st July, 2024:***

- ➢ The aforesaid rate of tax of 15% applies to capital gain on listed securities if the person is active on the date of acquisition and disposal of securities;

- ➢ In case of person other than active taxpayer, the aforesaid rate of 15% shall be minimum tax and such person shall pay tax at higher of 15% or the rates specified in Division I and II for individuals / AOPs and companies respectively.

- Capital gain on securities covered under section 37A (including listed shares) are excluded from the Tenth Schedule, thereby withdrawing the enhanced collection of tax in case of persons not appearing on ATL.

- The rate of tax on capital gain on future commodity contracts entered into by member of the Pakistan mercantile Exchange shall be 5%.

- 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
- 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.
- The rate for companies in respect of debt securities shall be as specified in Division II of Part I of the First Schedule
- 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 ***	
	Stock funds**	Other funds
Individual or Association of Person	15%	15%
Company	15%	25%

* *In the case of mutual fund or collective investment scheme or a REIT scheme, no capital gains deduction is applicable if the holding period of a security, acquired on or before June 30, 2024, exceeds six years.*

** *In the case of a stock fund, if the dividend receipts are lower than the capital gains, a tax deduction rate of 20% applies.*

Division-VIII section 37(1A)

The bill proposes to substitutes the existing table of tax rates applicable on immovable property for filer and non-filers.

S. No	**Holding Period**	**Rate of Tax on Properties acquired on or before 30th day of June 2024**		
		Open Plots	**Constructed property**	**Flats**
(1)	**(2)**	**(3)**	**(4)**	**(5)**
1	does not exceed one year	15%	15%	15%
2	exceed one year but does not exceed two years	12.5%	10%	7.5%
3	exceed two years but does not exceed three years	10%	7.5%	0%
4	exceed three years but does not exceed four years	7.5%	5%	-

5	exceed four years but does not exceed five years	5%	0%	-
6	exceed five years but does not exceed six years	2.5%	-	-
7	exceed six years	0%	-	-

Rate of Tax on properties acquired on or after 1st day of July 2024

- The rate of tax of 15% applies to capital gain on properties if the person is active on the date of disposal.

- If the person is not on active taxpayer list on the date of disposal, the aforesaid rate of 15% shall be minimum tax and such person shall pay tax at higher of 15% or the rates specified in Division I and II for individuals / AOPs and companies respectively.

Part III Division I Clause (b) section 150

The bill proposes to substitute, following withholding tax rate on dividend received from mutual funds: -

The rate of tax to be deducted under section 150 @15% in the case of mutual funds, Real Estate Investment Trusts and cases other than those mentioned in clauses (a), (c) and (d):

The rate of tax on dividend received from mutual funds deriving fifty percent or more income from profit on debt shall be 25%.

Division III Clause (b) section 153(1)(a)

The bill proposes to enhance, rate of tax to be deducted in case of toll manufacturing)

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

Sub-clause (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.

Part IV
Division V

The bill proposes to insert the new proviso after para (b)

The tax collection rate for individuals mentioned in the income tax general order issued under section 114B is set at 75% of the bill amount or sale price for various items, including internet prepaid cards, prepaid telephone cards, and units sold through electronic mediums

Division VII
section 231B

The bill proposes to replace the current tax table with one that considers both the engine capacity and the value of the motor vehicle.

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

Division X
section 236C

The bill proposes to insert the table of progressive rates on the sale of immovable property against flat rate of @3%

<table>
<tr><th>S. No</th><th>Amount</th><th>Tax Rate (filer)</th><th>Tax Rate (late filer)</th><th>Tax Rate (non-filer)</th></tr>
<tr><th>(1)</th><th>(2)</th><th>(3)</th><th>(4)</th><th>(5)</th></tr>
<tr><td>1</td><td>Where the gross amount of the consideration received does not exceed Rs. 50 million</td><td>3%</td><td>6%</td><td rowspan="3">10%</td></tr>
<tr><td>2</td><td>Where the gross amount of the consideration received exceed Rs. 50 million but does not exceed 100 million</td><td>3.5%</td><td>7%</td></tr>
<tr><td>3</td><td>Where the gross amount of the consideration received exceed Rs. 100 million.</td><td>4%</td><td>8%</td></tr>
</table>

Division XVIII section 236K

The bill proposes to insert the table of progressive rates on the purchase of immovable property against flat rate of @3%

S. No	Amount	Tax Rate (filer)	Tax Rate (late filer)	Tax Rate (non-filer)
(1)	(2)	(3)	(4)	(5)
1	Where the fair market value does not exceed Rs. 50 million	3%	6%	12%
2	Where the fair market value received exceed Rs. 50 million but does not exceed 100 million	3.5%	7%	16%
3	Where the fair market value exceeds Rs. 100 million.	4%	8%	20%

SECOND SCHEDULE

The bill proposes the following measures:

Section
Second Schedule **Exemptions And Tax Concessions**

Part 1 **Exemptions From Total Income**
Clause 102A **Withdrawal of Exemption of Income from Subsidy**

The Federal Government provides subsidies to its agencies to cover cost differences and implement projects, often exempting these subsidies from income tax under Clause (102A).

By omitting Clause (102A), the bill proposes that subsidies provided by the Federal Government to carry out any authorized assignment will be subject to taxes.

Clause 145A **Extension in exemption for residents of Tribal Areas**

The bill extends the exemption in time limit for income not taxable before the Constitution (Twenty-fifth Amendment) Act, 2018, for individuals or companies in the Tribal Area of Khyber Pakhtunkhwa and Baluchistan.

Currently, this exemption is expiring on June 30, 2024, which is proposed to be extended upto June 30, 2025.

PART II	**Reduction In Tax Rates**
Clause 24A	**Reduction in income tax payable by cigarette distributors**

The bill proposes to increase the income tax withholding rate from 1% to 2.5% for cigarette distributors, as per existing law.

The proposed amendment maintains the withholding tax rate for pharmaceutical product distributors at 1%.

PART III	**Reduction In Tax Liability**
Clause 2	**Withdrawal of tax credit to full-time Teachers and Researchers**

The Bill proposes to omit the 25% tax reduction for full-time teachers and researchers in non-profit educational institutions, thereby withdrawing the tax reduction.

The proposed omission may spur a debate on the government's priorities in education and research sectors, prompting alternative measures like targeted grants or incentives for investment.

Part IV	**Exemption from Specific Provisions**
Clause 109A & 110	**Extension of exemption to former FATA and PATA region**

The Ordinance grants exemptions from withholding tax on payments under the Division III, Part V of Chapter X for individuals or companies whose income was tax-free before the Constitution (Twenty-fifth Amendment) Act, 2018 in Tribal Areas of Khyber Pakhtunkhwa and Baluchistan.

The Finance Act, 2023 extended the exemption from withholding tax on payments until June 30, 2024, and the bill now proposes to extend it until June 30, 2025.

SEVENTH SCHEDULE

Section	
100A	**Special provisions relating to the banking business**
Seventh Schedule	
Rule 1	The Seventh Schedule to the Ordinance pertains to the rules related to the computation of taxable income and tax payable thereon by the banking companies. The income, profits and gains of a banking company shall be taken to be the balance of the income from all sources before tax, as disclosed in the annual accounts required to be furnished to the State Bank of Pakistan (SBP), subject to the adjustments required under sub-rule (a) to (h) of the rule (1).
Sub-rule (d)	The sub-rule (d) does not allow the amount of “bad debts” classified as sub-standard or doubtful to be claimed as an admissible expense. The SBP has adopted the International Financial Reporting Standard IFRS 09 to be implemented by the banking companies which will require the banking companies to create provisions for advances, off-balance sheet items or any other financial asset classified in stages I, II or III as performing, under-performing or non-performing. The bill seeks to substitute the sub-rule (d) of rule 1 to harmonize it with the changes in reporting requirement in view of the recent adoption of IFRS and after proposed changes, the banking companies in addition to expense pertaining to bad debts classified as "sub-standard" or "doubtful”, shall not be allowed to claim any provisions for advances, off-balance sheet items or any other financial asset classified in stages I, II or III as performing, under-performing or non-performing under any applicable accounting standard including IFRS 09. However, the bad debts classified as "loss" related to non-performing assets under the State Bank's Prudential Regulations will be allowable as a expense.
Sub-rule (da)	The bill also seeks to insert new sub-rule (da) in the rule 1 to disallow any 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 9 shall not be allowed as an expense or deduction.”

Sub-rule (g) The sub-rule (g) excludes any adjustments made in the annual accounts pertaining to the application of international accounting standards 39 and 40 as an admissible deduction against taxable income. IAS 39 and 40 have never been adopted by the SBP and hence, the incorrect reference of IAS in this sub-rule made it redundant and not applicable. The bill seeks to correct the reference of accounting standards as well as to broaden the scope of this disallowance to adjustment made in the annual accounts, on account of any applicable accounting standard or policy or any guidelines or instructions of the State Bank of Pakistan.

The aforementioned proposed amendments are not realistic as the tax laws should be in consonance with the accounting principles contained in IFRSs. The provisions related to method of accounting contained of section 34 of the Income Tax Ordinance read with income tax rules clearly stipulate that the companies will prepare its financial statements in accordance with the accounting standards. Hence not allowing impairment losses as provided in IFRS 9 negates these provisions of law and tax rules. This would create hardships for the banking sector as it would create disparity between tax provisions whereby losses recognized in the financial statements are disregarded for the purposes of the tax provision

Rule 7CA

The bill seeks to clarify the ambiguity in the Rule 7CA of the Schedule regarding applicability of super tax from tax year 2023 onwards by inserting the explanation 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.

The bill proposes the following measures:

Section Tenth Schedule **Rules for Persons Not Appearing in The Active Taxpayers’ List**

Rule 1 **Rate of deduction or collection of tax**

The bill proposes to enhance the withholding tax rates for persons not appearing in active taxpayers’ list on:

- Purchase of Immovable Property: Previously it was 7.5% now new progressive tax slabs are being proposed which are as follows:
  - 12% tax on immovable property with value up to 50 million,
  - 16% rate for immovable property having value between 50 to 100 million and
  - 20% for value above 100 million.

- Profit on debt has been increased from 30% to 35%.

- Sale of immovable property has been increased to 10% for non-filers.

- Distributors, wholesalers or dealers except for fertilizer has been increased from 0.2% to 2%.

- Retailers has been increased from 1% to 2.5%.

Rule 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

The bill through new insertion aims to discourage those who failed to file their returns by the specified time. Through the proposed insertion progressive advance tax rates at source on sale and purchase of immovable property by persons who are late filers is being introduced which are as follows:

- 6% where the value of property is up to Rs.50 million.
- 7% where the value of property is up to 100 million.
- 8% where the value of property exceeds Rs.100 million.

Rule 10 The provisions of this Schedule shall not apply on tax collectible or deductible in case of the following sections

The bill proposes to make technical amendment as rates for persons not appearing in active taxpayers' list on disposal of securities has now been provided in the first schedule to Ordinance.

SUMMARY OF CHANGES IN THE SALES TAX ACT, 1990

Section

2(3) **Enhancement in scope of Associates (associate persons)**

The bill seeks to substitute the definition of 'Associates' to bring it in line with sub-section (1) of section 85 of the Income Tax Ordinance, 2001.

By virtue of proposed amendment, the scope of Associates has been extended to include a person who can sufficiently influence another person or enter into transaction (directly or indirectly) with a resident of zero taxation regime.

2(14A)
25AB **Investigative Audit**

The bill proposes to insert the definition of investigative audit in accordance with newly inserted section 25AB of this Act.

The aforesaid section 25AB seeks to introduce a new provision relating to assessment of suspected fraud whereby an officer not below the rank of Assistant Commissioner, suspects that the registered person is involved in tax fraud, he may, with the prior approval of the Commissioner in writing, initiate investigative auditwhich needs to be conducted within 90 days based on the records and evidence obtained under sections 37, 37A, 38, 38A, 38B and 40 of the Act.

On completion of the investigative audit, the Officer may:

- Pass an order under section 11E, after providing an opportunity of being heard;
- Issue a Best Judgment Assessment Order under section 11D;
- Blacklist the registered person under Section 21; and
- Impose penalty and cause prosecution of the registered person as per serial # 13 of the Table in section 33.

In case of assessment under section 11E or Best Judgement assessment under section 11D, the officer may disallow input tax on goods or services in case of non-provision of record like receipt, invoice or other record or evidence of transaction or circumstances giving rise to such claim.

2(15) **Licensed integrator**
23(3)

The bill proposes to define licensed integrator, a person who is licensed by the Board to provide electronic invoicing system for integration of registered person in the prescribed manner.

The bill obligates the registered persons making the taxable supplies to issue electronic invoices in accordance with the conditions, restrictions and limitations as the Board may by the Notification in the Official Gazette specify.

2(37) **Tax Fraud**

The bill, by way of substitution, defines tax fraud as intentional evasion of legally due tax or obtaining undue refund by submission of false return, statements or false documents or withholding of correct information or documents and include:

- Suppression of sales/receipts that are chargeable to tax;
- False claim of input tax credit;
- Making taxable supplies without issuing tax invoices and vice versa;
- Undue input tax credit or obtaining inadmissible refund by any means or methods other than above;
- Non deposit of collected tax within three months from due date;
- Falsification/substitution of financial records or furnishing fake or false information or documents;
- Tampering/destroying material evidence; and
- Dealing and/or keeping the goods which are liable to be confiscated under the Sales Tax Act or Rules thereunder

Additionally, the bill seeks to assume the taxpayer as the defaulter in the above cases unless he is able to prove otherwise to the sales tax authorities.

Thus vast discretionary powers are extended to the officer which may result in hardship to the taxpayer and against the Judicial Norms whereby the burden of proof lies on the alleger.

2(44) Time of supply

The proposed amendment seeks to reimpose sales tax on advance received against supplies.

2(46) Value of Supply

The bill proposes to enable the Board to fix value of imported goods specified in Third Schedule of the Sales Tax Act, 1990.

11B Limitation for issuing orders in certain cases

The proposed amendment seeks to specify time frame for giving appeal effect order of appellat decisions in line with the provisions of the Income Tax Law as follows:

(a) For any finding or direction as per appellate order passed by any forums, the Commissioner shall issue order within 2 years from the end of financial year.

(b) For any assessment order set aside by Appellate Tribunal or superior Courts, the Commissioners or Commissioner appeal shall pass order within one year from the end of the financial year in which the order was served.

11D Introduction of Best Judgment Assessment

Consistent with the Income Tax provisions relating to Best Judgement Assessment under Section 121 of the Income Tax Ordinance, 2001, the bill proposes to introduce the best judgement assessment after issuance of show cause notice in the following cases:

- Person fails to furnish sales tax return in response to the notice issued under the proposed section 2A of section 26;

- Fails to produce the accounts, documents and records as required under section 25 or 38A of the Sales Tax Act, 1990.

Where the best judgment assessment has been made for not furnishing sales tax return and thereafter of the person files the return to make the due payment of tax including penalty and default surcharge, the proceeding shall be dropped.

Further, enabling powers have been kept with the Bank to impose and levy minimum tax when tax evasion has been suffered.

Input tax on goods or services may be disallowed or reduced if the taxpayer is unable to provide relevant documents and evidences.

Pertinent to mention here that where the conditions for the purpose of determination of minimum tax liability has been specified by the Board, the Officer shall determine such liability of the registered person in accordance thereof.

11E Assessment and Recovery of Tax

The proposed new section supersedes the existing provision of section 11 relating to assessment under the Sales Tax Act, 1990 enabling the officer to assess and recover tax including penalty and default surcharge on the suspicion by the officer inland revenue not below Assistant Commissioner on the basis of audit or otherwise after the issuance of show cause notice in the following situations:

- Unpaid or short paid due sales tax;
- Inadmissible input tax credit or refund claimed;
- Obtained refund not due

The input tax on goods or services may also be disallowed or reduced by the officer, if the taxpayer is unable to provide relevant document and evidences.

11F Failure to withhold sales tax

In order to rationalize the withholding sales tax provisions, a new section is proposed to be inserted for the assessment by the officer not below the rank of Assistant Commissioner, in respect of sales tax not withheld or not deposited to treasury.

The existing Subsection (4A) of Section 11 is being omitted in light of said proposed Section.

11G Limitation for Assessments

Sub section (5) of Section 11 prescribing limitation of assessment has now proposed to be replaced as new Section 11G.

21(2) & (5) Blacklisting Proceedings

The bill seeks to empower the Chief Commissioner to call for and examine the records and documents of the black listing proceedings and order passed therein and modify it as deemed fit.

Additionally, it is proposed that all orders under this subsection will only be passed after providing an opportunity to the taxpayer to meet the principle of natural justice.

25 Audit of Sales Tax Affairs

The bill proposes to replace the existing provision relating to access to records and audit etc. by virtue of which the Commissioner, on reasons to be recorded, may direct the officer of Inland Revenue not below the rank of Assistant Commissioner to conduct audit. These provisions of audit selection are separate from the powers of the Board under section 72B of the Sales Tax Act, 1990.

The provision further stipulates that:

- The reasons for selection of case for audit needs to be communicated to the registered person;
- The reasons may be on the basis of scrutiny of the sales tax returns, income tax returns, withholding statements, financial statements etc.;
- Specific and concrete Risk factors are required for the purpose of such verification;
- The officer would be entitled to access to documents, call for any information for the purpose of the audit including electronic data;
- The information can be sought within 6 years from the end of the financial year to which the information relates;
- Third party inquiry may be conducted as the situation requires;
- On the basis of the records and documents, the officer would verify correctness of sales tax liability, output tax, input tax claimed, refund claimed, tax paid stocks consumed etc.;
- Audit proceedings may also be conducted through video links;
- Order under section 11E after providing an opportunity of being heard to the tax payer under sub-section 1 of section 11 E;
- In case of non-cooperation by the taxpayer, the proposed applicability of the best judgement assessment;

- In case of suspected tax fraud, the application of investigative audit with the approval of the Commissioner;

- No penalty if voluntary payment of principal and default surcharge of unpaid/evaded amount before receipt of notice of audit;

- 25% penalty if the audit proceeding have been initiated but the show cause notice has not been issued under section 11E; and

- If the show cause notice has been issued, it shall stand abated if whole of the principal, default surcharge and penalty is discharged.

26(2A) Power seeking filing of Sales Tax Return

The bill proposes to empower the officer of Inland Revenue to seek the submission of the sales tax return/returns from the taxpayer within 15 days or such period as may be specified in the notice with the capping of 15 years from the end of the financial year in cases involving tax fraud and 5 years in all other cases respectively.

Offences & Penalties

Proposed Significant changes in offences, fines and penalties tabulated in section

33(1) 33 are listed below:

Sr. No	Description	Penalty (Existing)	Penalty (Proposed)
33(1)(11)	Any person who submits a false document destroy document or make false statement.	Rs. 25,000/- or 100% of tax involved whichever is higher & imprisonment on conviction up to 3 years or with fine extended to tax Invoices or both.	Rs. 25,000/- or 100% of tax evaded or sought to be evaded whichever is higher & 5 years of imprisonment on conviction if amounts exceed 500M or more & if evaded amount exceeds one billion Imprisonment can be up to 10 years The person who abets or connives in commissioning of tax fraud shall be liable, upon conviction by as

			Special Judge, to imprisonment on conviction to 5 years if amounts exceed 500M or more & if evaded amount exceeds one billion Imprisonment can be up to 10 years alongwith fine equal to the amount of tax evaded or sought to be evaded.
33(1)(13)	Any person who commits tax fraud abets or connives into commissioning.	Rs. 25,000/- or 100% of the amount of tax involved, whichever is higher & imprisonment on conviction of five years or fine of loss amount or both	Rs. 25,000/- or 100% of the tax evaded or sought to be evaded, whichever is higher. & Imprisonment of 5 years, if evaded amount is 500 M & 10 years if the tax evaded or sought to be evaded is 1 billion along with fines equal to amount evades. The person who abets or connives in commissioning of tax fraud shall be liable, upon conviction by as Special Judge, to imprisonment on conviction to 5 years if amounts exceed 500M or more & if evaded amount exceeds one billion

			Imprisonment can be up to 10 years alongwith fine equal to the amount of tax evaded or sought to be evaded.
33(1)(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	-	Such person shall be liable to pay penalty of rupees one million or one percent of the total value of the sales suppressed, whichever is higher.

33(2) It is proposed that Notwithstanding anything contained in the Code of Criminal Procedure, 1898 (Act V of 1898), the punishment for offences under the Act may extend upto ten years.

34(1)(a) Default Surcharge

The bill proposes to replace the existing fixed rate of 12% for default surcharge with "KIBOR plus three." This change reflects alignment with prevailing market rates to avoid loss of revenue.

40C(4)(5) Investigating through E- Invoicing System

The bill proposes to empower the Board through notification in Official Gazette, to require the integration of electronic invoicing systems with its computerized system for real-time sales reporting to facilitate and enhancing tax oversight and efficiency from such date and such manner as may be prescribed through such licensed integration.

43A(4) Deferment of Transfer of open cases

The bill seeks to extend the cut off date for the transfer of open cases exceeding ten million rupees, to the Appellate Tribunal Inland Revenue from June 16, 2024 to September 16, 2024 to facilitate transition and disposal of the cases at the level of appellate tribunal.

46 w Appeal to Appellate Tribunal

The bill proposes to exclude orders of blacklisting under sub-section (2) of section 21 from the scope of Appellate Tribunal. This appears to relate with the change in section 21(5) wherein the Chief Commissioner is proposed to be empowered to call for examine the records of black listing proceeding and pass order accordingly.

This proposed change attempts to curtail the fundamental rights of agitation before the higher appellate forums.

47AB Saving

The bill proposes to save the Pre-Tax Law (Amendments) Act, 2024 position that the period of limitation shall continue to apply where any decision of the Commissioner (appeals) or the Appellate Tribunal is received prior to the date of commencement of said Act..

73(1) Certain transactions not admissible

This amendment seeks to clarify that the payment threshold of fifty thousand rupees shall apply in aggregate instead of a single transaction.

Schedules

Third Schedule Taxable Supplies

The bill proposes to amend the Third Schedule to the Sales Tax Act, 1990 as follows:

Proposed new addition in the Schedule

Serial No.	List of items with broad detail
51.	Currently, the Di-ammonium Phosphate (DAP) is subject to reduce rate 5% sales tax ad valorem. It is now proposed that sales tax be imposed on this supply of DAP at the rate of 18% under the third schedule to the Act.

Fifth Schedule Zero-rated supplies

The bill proposes to amend the Fifth Schedule to the Sales Tax Act, 1990 as follows:

Proposed omission of existing headings

Serial No.	List of items with broad detail
12,16,17 & 21	The proposed bill seeks to omit the benefit of zero rating on certain items i.e., Infant's products etc., stationery equipment etc., Milk, Fat Filled Milk and Plant and Machinery for the Exporters authorized under Export Facilitation Scheme.

Sixth Schedule – Table-1: exemption on local supply or import of goods

The bill proposes to amend the sales tax exemption on import or supply of the following goods:

Exemption proposed to be withdrawn

Serial No.	List of items with broad detail
13,15,32,86,87,88,90,96,97,98,112,120,151, 152,166,169, 170, 174	The bill proposes to delete the entry relating to Edible vegetables, Fruits imported from Afghanistan excluding apples, Newsprint and books but excluding brochures, leaflets and directories, Stationery items including colors, writing, drawing and making inks, erasers, etc., cardiology/cardiac surgery, neurovascular, electrophysiology, endosurgery, oncology, urology,

	gynecology, disposables and other equipment, Diagnostic kits or equipment, Supplies; and imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas, Supplies of electricity, as made from the day of assent to the Constitution (Twenty-fifth Amendment). Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more, Oil cake and other solid residues, Tractor, Machinery and equipment.

Proposed omission in existing headings

Serial No.	List of items with broad detail
165	Presently, there was exemption of sales tax on direct import of goods by the hospitals. The proposed bill seeks to withdraw this exemption.

Proposed new addition in the Schedule

Through the Bill, following imports and supplies are proposed to be exempted from sales tax:

Serial No.	List of items with broad detail
175	The proposed new insertion seeks exemption on Imports of goods received in the event of a national disaster etc. or goods received as gift or donation from a foreign government under certain conditions. Further, the Ministry Incharge and Federal Board of Revenue will verify the authenticity of donated goods, ensuring they are only sold, utilized, or disposed of for their imported purpose.
176	POL Products: 1. MS Petrol 2. High Speed Diesel Oil 3. Kerosene 4. Light Diesel Oil (PCT headings: 2710.1210, 2710.1931, 2710.1911 and 2710.1921)

Sixth Schedule – Table-2: exemption on local supply

The bill proposes to amend the sales tax exemption on local supply of the following goods:

Proposed omission of existing headings

Serial No.	List of items with broad detail
7 & 21	The proposed bill seeks to withdraw the tax exemption on certain retail bakery items i.e., Vermicularis, Sheer mal, Bun and rusk, etc. The bill also proposes to tax above mentioned goods at a reduced rate of 10%.

Proposed new addition in the Schedule

Serial No.	List of items with broad detail
56	Milk except branded (See zero rating proposal also) (PCT headings: 9908(i) and 991)
57	Iron and Steel scrap (PCT headings: 7204.4100, 7204.3000 and 7204.4990)

Eight Schedule – Table-1:

The bill proposes to amend the reduced sales tax rate on the following goods:

Proposed omission of existing headings

Serial No.	List of items with broad detail
58, 66 & 73	The proposed bill seeks to withdraw the reduced sales tax rate on the following: a) LPG. b) Supplies from integrated retail outlets. c) Locally manufactured hybrid electric vehicle.

Proposed substitution in existing headings

Serial No.	Goods	Existing Rate	Proposed Rate
77	Personal Computers and Laptops, note books whether or not Incorporating multimedia kit.	5%	10%
81	Medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 except the following, even if medicated or medicinal in nature, namely: - (a) filled infusion solution bags imported with or without infusion given sets; (b) scrubs, detergents and washing preparations; (c) soft soap or no soap; (d) adhesive plaster; (e) surgical tapes; (f) liquid paraffin; (g) disinfectants, and (h) cosmetics and toilet preparations.	1%	18%

Proposed new addition in the Schedule

Serial No.	Goods	Existing Rate	Proposed Rate
84	Stationary items like pencils, erasers, sharpeners, drawing book, ink etc.	Exempted	10%
85	Supply of plant and machinery erstwhile Tribal Areas	Exempted	(i) 6% till 30.06.2025 (ii) 12% from 1.7.2025 till 30.06.2026
86	Supply of electricity to the erstwhile Tribal Areas	Exempted	(i) 6% till 30.06.2025 (ii) 12% from 1.7.2025 till 30.06.2026
87	Oil cake and other solid residues	Exempted	10%
88	Tractors	Exempted	10%
89	Local supply of vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers.	Exempted	10%
90	Local supply of poultry feed, cattle feed, sunflower seed meal, rape seed meal, and canola seed meal.	Exempted	10%
91	Newsprint and books but excluding brochures. Leaflets, directories.	Exempted	10%

Ninth Schedule – Table-II:

Mobile phones to be taxed at standard rate

The bill proposes to enhance the tax rate on Mobile phones at the standard rate, except for those valued over US$ 500, which will continue to be taxed at the existing rate of 25%.

Eleventh Schedule

Withholding of Sales Tax

The bill proposes to amend the Eleventh Schedule to the Sales Tax Act, 1990 as under:

- The rate of withholding tax has been increased from 75% to 80% of the amount of sales tax on lead batteries.
- Now, registered persons are required to withhold 80% of the sales tax in the following cases:
  - Persons supplying any kind of gypsum under chapter 25 (PCT headings 2520.1010, 2520.1020, 2521.0000) or limestone flux under chapter 25 (PCT headings 2520.1010, 2520.1020, 2521.0000).
  - Persons supplying any kind of waste of paper and paper board (Respective headings).
  - Persons supplying any kind of plastic waste (Respective headings).
  - Persons supplying crush stone and silica.
- Supplies made by an Active Taxpayer as defined in the Sales Tax Act, 1990 to another registered person are not subject to withholding tax currently. The Bill has proposed that the withholding tax in this case shall remain applicable in the following cases:
  - Registered person as recipient of advertising services.
  - Registered person manufacturing lead batteries and purchasing lead and other related items.
  - Registered person making payment against the supply of any kind of gypsum under chapter 25 (PCT headings 2520.1010, 2520.1020, 2521.0000) or limestone flux under chapter 25 (PCT headings 2520.1010, 2520.1020, 2521.0000).

- Registered person making payment against the supply of any kind of waste of paper and paper board (Respective headings).

- Registered person making payment against the supply of any kind of plastic waste (Respective headings).

- Registered person making payment against the supply of crush stone and silica.

SUMMARY OF CHANGES IN THE FEDERAL EXCISE ACT, 2005

Section

8 **Change in rate of default surcharge**

The bill proposes to change rate of default surcharge from existing fixed rate of twelve percent per annum to a floating rate of KIBOR plus three percent per annum. The intention appears to be harmonization of rate with the State Bank of Pakistan's policy rate.

19(3)(f) **Fine on installation, removal or commencement of production on certain plant and machinery without prior permission of the Commissioner**

The bill proposes to introduce a new clause to section 19(3) whereby installation, removal or commencement of production on plant and machinery valuing rupees fifty million and above without seeking prior permission of the Commissioner. The office shall attract a fine which may extend to fifty thousand rupees or five times of the duty involved, whichever is higher, and to a punishment with imprisonment which may extend to five years, or both.

19(10A) **Sealing of retail outlet if selling tax-unpaid or smuggled cigarettes**

The bill proposes to introduce a new Section 19(10A) whereby a retail outlet found guilty of selling cigarettes without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes shall inter-alia be liable to be sealed. The mode and manner for operation of this section are to be prescribed by the Board.

33A(4) **Extension in date of transfer of cases from the Commissioner Appeal to the Appellate Tribunal**

This section 33A was introduced vide Tax Laws (Amendment) Act, 2024 whereby jurisdiction of Commissioner Appeal was restricted to the cases involving assessment of tax (duty) up to rupees five million. Moreover, the date of transfer of cases pending before Commissioner Appeals and exceeding its pecuniary jurisdiction was fixed as June 16, 2024.

The bill, in line with similar amendments in Income Tax Ordinance, 2001 and Sales Tax Act, 1990, proposes to extend this date of transfer to September 16, 2024.

34AB **Saving**

The bill proposes to introduce a new Section 33AB to preserve the limitations which were operation prior to amendments introduced through the Tax Laws (Amendment) Act, 2024, for the submission of appeals before the Appellate Tribunal Inland Revenue and references before the High Court.

Thereby, the aforesaid limitations shall remain intact in respect of orders received prior to the commencement date of the Tax Laws (Amendment) Act, 2024.

Schedules

First Schedule Table-I Serial No. 7a

The bill proposes levy of duty on Acetate tow at the rate of rupees forty-four thousand per kg through insertions of following Serial No. 7a to the Table-I:

Serial No.	Description of Goods	Heading/ Sub-Heading Number	Rate of Duty
7a.	Acetate tow	Respective heading	Rupees forty-four thousand per kg.

8a The bill proposes to amend the rate of duty on E-liquids for electric cigarette kits as rupees ten thousand per kg or sixty five percent of retail price, whichever is higher.

8d The bill proposes levy of duty on nicotine pouches at the rate of rupees one thousand and two hundred per kg through insertions of following Serial No. 8d to the Table-I:

Serial No.	Description of Goods	Heading/ Sub-Heading Number	Rate of Duty
8d.	Nicotine pouches	Respective heading	Rupees one thousand and two hundred per kg.

9 The bill proposes to change the lower limit of price threshold, for charge of duty on locally produced cigarettes, from nine thousand rupees per thousand to twelve thousand five hundred per thousand as below.

Serial No.	Description of Goods	Heading/ Sub-Heading Number	Rate of Duty
9.	Locally produced cigarettes if their on-pack printed retail price exceeds twelve thousand five hundred rupees per thousand cigarettes.	24.02	Rupees sixteen thousand five hundred per thousand cigarettes.

10 The bill proposes to change the upper limit of price threshold, for charge of duty on locally produced cigarettes, from nine thousand rupees per thousand to twelve thousand five hundred per thousand as below.

Serial No.	Description of Goods	Heading/ Sub-Heading Number	Rate of Duty
10.	Locally produced cigarettes if their on-pack printed retail price does not exceed twelve thousand five hundred rupees per thousand cigarettes.	24.02	Rupees five thousand and fifty per thousand cigarettes.

13 The bill proposes to enhance the rate of duty on cement and its allied items from two rupees per kg to three rupees per kg.

56 The bill proposes to enhance the rate of duty on Filter rod for cigarettes from fifteen hundred rupee per kg to eighty thousand rupees per kg.

63 The bill proposes levy of duty on first allotment of residential property as well as first allotment/ subsequent transfer of commercial property at the rate of five percent through insertions of following Serial No. 63 to the Table-I:

Serial No.	Description of Goods	Heading/ Sub-Heading Number	Rate of Duty
63.	Allotment or transfer of commercial property and first allotment or transfer of residential property in such mode and manner and subject to such conditions and restriction as may be prescribed by the Board.	Respective headings	5%

64 The bill proposes levy of duty on supply of sugar to a manufacturer at the rate of rupees fifteen per kg through insertions of following Serial No. 64 to the Table-I:

Serial No.	Description of Goods	Heading/ Sub-Heading Number	Rate of Duty
64.	Sugar supplied by any person to a manufacturer	Respective headings	Rupees fifteen per kg.

The bill proposes to insert an explanation in respect of the second restriction about introduction of different brand variants at lower price by manufacturers or imports of cigarettes. The explanation elaborates that brand variant means any cigarette brand with similar logo, name, color, design, pattern or any unique distinguishing mark associated with an existing brand family.

Third Schedule Table-I Serial No. 23

The bill proposed to introduce the following new Serial No. 23 to the Table-I of Third Schedule. The proposal intends to grant conditional exemption from charge of duty on imports made by diplomats, diplomatic missions, privileged persons, and privileged organizations.

Serial No.	Description of Goods	Heading/ Sub-Heading Number
23.	Imports made by diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts, Orders, Rules, Regulations and Agreements passed by the Parliament or issued or agreed by the Government of Pakistan.	99.01, 99.02 and 99.05.

SUMMARY OF CHANGES IN THE CUSTOMS ACT, 1969

Section

2	**Definitions**

2(na) Nuclear material

The bill seeks to insert a new definition in the Act, for implementation of National Nuclear Detection Architecture (NNDA) regime. The proposed definition is as under:-

"nuclear material" means the nuclear material as defined in the Pakistan Nuclear Regulatory Authority Ordinance, 2001 (III of 2001).

2(gaa) Radioactive material

The bill seeks to insert a new definition in the Act included, for implementation of NNDA regime. The proposed definition is as under:-

"radioactive material" means the radioactive material as defined in Pakistan Nuclear Regulatory Authority Ordinance 2001 (III of 2001).

3CDD Directorate General of National Targeting Centre

The bill proposes to insert new section 3CDD to provide for creation of Directorate General of National Targeting Centre as a National Single Window of enforcement for all Law Enforcement Agencies (LEAs).

The Directorate General of National Targeting Centre shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by Notification in the Official Gazette, appoint.

3 CCE Directorate General of Trade Based Money Laundering

The bill proposes to insert new section 3CCE to provide for creation of Directorate General of Trade Based Money Laundering for cognizance of offences related to trade-based money laundering.

The Directorate General of Trade Based Money Laundering shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by Notification in the Official Gazette, appoint.

5(1) Delegation of powers

The bill proposes to substitute sub-Section (1) of section 5 to align Customs Act, 1969 with Section 8 of the Federal Board of Revenue Act 2007 (FBR Act).

The Federal Board of Revenue (Board), additionally, will be allowed to:

- delegate any of its functions and powers to the Chairman;
- empower any Member or Director General to exercise the powers of the Board or Chairman; and
- empower any Collector of Customs to exercise any of the powers of a Chief Collector of Customs under this Act.

6(1) Entrustment of functions of Customs Officers to certain other Officers

The Board is empowered to entrust any functions of any officer of customs under the Customs Act to the officers of institutions/bodies specified in this sub-section.

The proposed amendment seeks to enlarge the scope by granting the Board the authority to empower the Officers of National Command Authority and Pakistan Nuclear Regulatory Authority operating in National Nuclear Detection Architecture to implement and enforce the Customs Act, 1969.

7 Assistance to the Officers of Customs

Currently, all officers of the Federal and the Provincial Governments, including Inland Revenue, Police, the National Highways and the Pakistan Motorway Police, Civil Armed Forces, Border Military Police, Provincial Levies, Khasadar Force and officers engaged in the collection of land-revenue were obligated to assist the Officers of Customs in the discharge of their functions under this Act.

The bill seeks to add the Intelligence Bureau in the above list to assist the Custom Officers in discharge of their duties under the Customs Act, 1969.

17 Detention, seizure and confiscation of goods

The goods imported into or exported out of Pakistan in violation of the Customs Act are liable to be confiscated, seized or detained by the Custom Officer can be kept in detention for a period of fifteen days which is subject to further extension of fifteen days with the permission of the Chief Collector or Director General.

The bill seeks to assign the power of extension to Additional Collector of Customs or Additional Director instead of Chief Collector or Director General to ensure smooth functioning.

19 General power to exempt from Custom duties

The Federal Government is empowered to grant exemption, vide Gazette Notification, from whole or part of customs duties including fine, penalty and any other charge on import or export of goods, in certain exceptional circumstances.

The bill proposes to extend the deadline to place all Notifications issued on or after the first day of July, 2016 before the National Assembly from the end of financial year 2024 to the end of financial year 2025 otherwise the same would stand rescinded.

81 Provisional determination of liability

Presently provisional determination of value is not permitted in cases where a valuation ruling is already in field, regardless of any pending review or revision of such valuation.

The proposed insertion aims to broaden the scope of such restriction on goods against which Publication Valuation Ruling is in field.

156 Offences & Penalties

Proposed additions in fines & penalties are listed below:

Sr No.	Description	Proposed Penalty
8(v)	If the smuggled goods are identified and categorized as nuclear material: Provided that if any offence specified within this section concerns breach of national security, the same shall be dealt with under the National Command Authority Act, 2010, (V of 2010), if-	Such goods shall be liable to confiscation and any person concerned in the offence shall be liable to-
	(a) the quantity and form of nuclear material is that as defined in the Regulations on Physical Protection of Nuclear Material and Nuclear Installations – (PAK/925) or any amendment therein as determined by PNRA, in case of-	Imprisonment which may extend to seven years, or with fine which may be up to one million rupees, or with both.

(i) unirradiated Plutonium including all plutonium except that with isotopic composition exceeding eighty percent of Plotunium-238, is less than fifteen grams, or;

(ii) unirradiated Uranium enriched to twenty percent or more of U-235, is less than fifteen grams, or;

(iii) unirradiated uranium enriched to ten percent U-235 but less than twenty percent of U-235, is less than 1kg, or;

(iv) unirradiated uranium enriched above natural, but less than ten percent U-235 is less than ten kgs, or;

(v) unirradiated U-233, is less than fifteen grams

(b) the quantity and form of nuclear material is that as defined in the Regulations on Physical Protection of Nuclear Material and Nuclear Installations – (PAK/925) or Any amendment therein, and determined by PNRA, in case of;

imprisonment which may extend to ten years and shall also be liable to fine which may be up to five million rupees

(i) unirradiated Plutonium including all plutonium except that with isotopic composition exceeding eighty percent of Plotunium-238, is fifteen grams but does not exceed 500 grams, or;

(ii) unirradiated Uranium enriched to twenty percent or more of U-235, is fifteen grams or more but does not exceed one kilogram, or;

(iii) unirradiated uranium enriched to ten percent U-235 but less than twenty percent of U-235, is 1kg or more but does not exceed ten kgs, or;

(iv) unirradiated uranium enriched above natural, but less than ten percent U-235, is more than ten kgs, or;

(v) unirradiated U-233, is fifteen grams or more but does not exceed five hundred grams;

	(c) the quantity and form of nuclear material is that as defined in the Regulations on Physical Protection of Nuclear Material and Nuclear Installations–(PAK/925) or any amendment therein as determined by PNRA, in case of- (i) unirradiated plutonium including all plutonium except that with isotopic composition exceeding eighty percent of plotunium-238, is more than five hundred grams but does not exceed two Kgs, or; (ii) unirradiated Uranium enriched to twenty percent or more of U-235, is more than one Kg but does not exceed five kilograms, or; (iii) unirradiated uranium enriched to ten percent U-235 but less than twenty percent of U-235, is more than ten kgs, or; (iv) unirradiated U-233, is more than five hundred grams but does not exceed two Kgs;	Imprisonment for life, or imprisonment for a term which may extend to fourteen years and shall also be liable to fine which may extend to ten million rupees.
	(d) the quantity and form of nuclear material is that as defined in the Regulations on Physical Protection of Nuclear Material and Nuclear Installations–(PAK/925) or any amendment therein as determined by PNRA, in case of- (i) unirradiated plutonium including all plutonium except that with isotopic composition exceeding 80% of Plotunium-238, is more than two Kgs, or; (ii) unirradiated Uranium enriched to twenty percent or more of U-235, is more than five kilograms, or; (iii) unirradiated U-233, is more than two Kgs; and	Imprisonment for life, or imprisonment for a term which shall not be less than fourteen years and shall also be liable to fine which may be up to five million rupees
8(vi)	If the smuggled goods are identified and categorized radioactive material and radioactive sources: Provided that if any offence specified within this section concerns breach of national security, the same shall be dealt with under the National Command Authority Act, 2010, if	Such goods shall be liable to confiscation and any person concerned in the offence shall be liable to;

	(a) the activity (A) to dangerous value (D) ratio of radioactive materials or radioactive sources, as defined in the Regulations on Security of Radioactive Sources- (PAK/926) or any amendment therein as determined by the PNRA, does not exceed one (1) in numeric number;	Imprisonment which may extend to two years, or with fine, or with both
	(b) the activity (A) to dangerous value (D) ratio of radioactive materials or radioactive sources, as defined in the Regulations on Security of Radioactive Sources-(PAK/926) or any amendment therein as determined by the PNRA, is more than one but does not exceed ten in numeric number;	Imprisonment which may extend to seven years, or with fine, or with both
	(c) the activity (A) to dangerous value (D) ratio of radioactive materials or radioactive sources, as defined in the Regulations on Security of Radioactive Sources- (PAK/926) or any amendment therein as determined by the PNRA, is more than ten (10) but does not exceed thousand in numeric number; and	Imprisonment which may extend to fourteen years and shall be liable to fine upto five million;
	(d) the activity (A) to dangerous value (D) ratio of radioactive materials or radioactive sources, as defined in the Regulations on Security of Radioactive Sources- (PAK/926) or any amendment therein as determined by the PNRA, exceeds the limit specified under clause (c).	Imprisonment for life, or imprisonment for a term which shall not be less than fourteen years and shall also be liable to fine which may be up to five million rupees;";
89(iii)	in case any smuggled goods, liable to confiscation, seized and placed in the custody of the owner of the goods or any person holding the goods in his possession or charge are found removed illegally, exchanged, pilfered or disposed of in any manner,	Such person shall be liable to a penalty not exceeding ten times the value of such goods and upon conviction by a Special Judge, shall further be liable to imprisonment for a term not exceeding six years or to a fine not exceeding one million rupees or both.
90(ii)	in case seized goods liable to confiscation not being goods referred to in clause 89, placed in the custody of the owner of the goods or any person holding the goods in his possession or charge are found removed illegally, exchanged, pilfered or disposed of in any manner,	Such goods shall be liable to confiscation and any person concerned in the offence shall be liable to a penalty not exceeding two times of the value of such goods and upon conviction by a Special Judge, shall further be liable to imprisonment for a term not exceeding six months or to a fine not exceeding fifty thousand rupees or both.";

Proposed omitions/substitutions in existing fines & penalties are listed below:

Sr No.	Description	Penalty	
		Existing	**Proposed**
9	(i) If any goods, not being goods referred to in clause 8, are imported into or exported from Pakistan evading payment of leviable customs-duties or in violation of any prohibition or restriction on the importation or exportation of such goods imposed by or under this Act or any other law; or (ii) If any attempt be made so to import or export any such goods; or (iii) If any such goods be found in any package produced before any officer of customs as containing no such goods; or (iv) If any such goods be found either before or after landing or shipment to have been concealed in any manner on board any conveyance within the limits of any seaport, airport, railway station or other place where conveyances are ordinarily loaded or unloaded; or (v) If any such goods, the exportation of which is prohibited or restricted as aforesaid be brought within a customs area or to a wharf, with the intention of loading them on a conveyance for exportation in violation of such prohibition or restriction,	Such goods shall be liable to confiscation; and any person concerned in the offence shall also be liable to a penalty not exceeding two times **<u>but not less than</u>** the value of the goods.	Such goods shall be liable to confiscation; and any person concerned in the offence shall also be liable to a penalty not exceeding two times the value of the goods.
83	If any police-officer, whose duty it is, under section 170 , to send a written notice or cause goods to be conveyed to a custom-house, neglects so to do,	Such officer shall, on conviction before Special Judge, be liable to a penalty not exceeding **<u>two</u>** thousand rupees.	Such officer shall, on conviction before Special Judge, be liable to a penalty not exceeding **<u>fifty</u>** thousand rupees.
85	If any person knowingly- (a) obstructs, hinders, falsely accuses or implicates, threatens, molests or assaults an official of Customs or any person while duly engaged or subsequently in the discharge of any duty or the exercise of any power imposed or conferred on him by or under	Such person shall, on conviction before a Special Judge be liable to a fine **<u>of twenty-five thousand</u>** rupees, and to imprisonment for	Such person shall, on conviction before a Special Judge be liable to a fine **<u>not less than one hundred</u>**

	any of the provisions of this Act or any person acting in his aid; or not exceeding two years. (b) does anything which impedes or is calculated to impede, the carrying out of any search for any thing required in an inquiry, investigation, audit of goods liable to confiscation under this Act or the detention, seizure or removal of any such thing; or (c) rescues, damages or destroys anything so liable to confiscation or does anything calculated to prevent the procuring or giving of evidence as to whether or not anything is so liable to confiscation; or (d) prevents the detention of any person by a person duly engaged or acting as aforesaid, or rescues any person so detained; or (d) attempts to do any of the aforementioned acts or things, or who aids or abets, or attempts to aid or abet, the doing of any of them,	a term not exceeding two years.	**<u>thousand</u>** rupees, and to imprisonment for a term not exceeding two years.
90(i)	If any person, without lawful excuse the proof of which shall be on such person, acquires possession of, or is in any way concerned in carrying, removing, depositing, harbouring, keeping or concealing or in any manner dealing with any goods, not being goods referred to in clause 89, which have been unlawfully removed from a warehouse, or which are chargeable with a duty which has not been paid, or with respect to the importation or exportation of which there is a reasonable suspicion that any prohibition or restriction for the time being in force under or by virtue of this Act has been contravened, or if any person is in relation to any such goods in any way, without lawful excuse, the proof of which shall be on such person, concerned in any fraudulent evasion or attempt at evasion of any duty chargeable thereon, or of any such prohibition or restriction as aforesaid or of any provision of this Act applicable to those goods,	Such goods shall be liable to confiscation, and any person concerned shall also be liable to a penalty not exceeding ten times **<u>but not less than</u>** the value of the goods.	Such goods shall be liable to confiscation, and any person concerned shall also be liable to a penalty not exceeding ten times the value of the goods.

194 Appellate Tribunal

The bill proposes to streamline the provisons of law pertaining to the constitution of Appellate Tribunal with the other fiscal laws i.e. Income Tax, Sales Tax and the Federal Excise Act. The significant proposed amendments are as under:

The appointment and removal of Chairman and Members of the Appellate Tribunal as well as related procedures such as constitution of benches, case management system, distribution of cases and other ancillary matters that were previously governed by the Prime Minister, will now be regulated by the Federal Government which may prescribe rules for the purposes.

The previous distinction between judicial and technical members is now eliminated through the use of the unified term 'Member'.

The eligibility criteria for appointment of a member has also been proposed to be changed as:

- an advocate of a High Court for not less than fifteen years having expertise in Customs Laws and experience of pleading at least fifty Customs cases at various forums; and possesses such other qualifications as may be prescribed by rules;

- an officer of the Customs Service of Pakistan in BS-21 or above; or

- an officer of the Customs Service of Pakistan in BS-20, having served in such grade for three years or more.

The service term for Chairman is prescribed to be three years, with a retirement age of 62 and this retirement age will also be applicable to the Members of the Tribunal except those falling under aforesaid clauses (b) and (c), who shall cease to hold office on attaining the age of superannuation, under the law regulating their service.

194A Appeals to the Appellate Tribunal

The time frame for filling an appeal before Appellate Tribunal has been proposed to be reduced to 30 days from the existing 60 days. Similarly, the appeal filing fees have been increased to Rs. 20,000 for companies and Rs. 5,000 for entities other than companies. This fee was currently Rs. 1,000.

The bill proposes to make a distinction with respect to the existing procedure that in case of an order passed in revision by the DG Customs Valuation u/s 25D, the appeal shall be decided by a special bench of at least two members including Chairman who shall preside the bench. However, if he is unable to preside due to special/extra ordinary reasons, the bench may be reonconstituted.

The aggregate time period for stay against recovery proceedings has been proposed to be reduced to 90 days from existing 180 days.

194B Decision of Appeals by the Appellate Tribunal

The Appellate Tribunal shall decide the appeal within 90 days of its filing compared to 180 days under existing provisions. Additionally, where an appeal is not decided within the 90 days, the Appellate Tribunal with the consent of both parties and upon reason to be recorded in writing may decide the case within a further period of 60 days.

At first hearing of the appeal, the Appellate Tribunal shall:

- bring to the notice of the taxpayer; the provisions relating to alternative dispute resolution under section 134 of the Ordinance; and

- If the taxpayer decline the option of alternative dispute resolution and wish to continue with the appeal, fix date or dates for hearing and decision of the appeal in consultation with the taxpayer and Commissioner and in accordance with the rules.

The Appellate Tribunal shall ensure to decide the appeal within the stipulated time frame and no adjournment shall be granted except:

- where there are compelling reasons for adjournment, to be recorded in writing; and

- on mandatory payment of such cost as the Appellate Tribunal may deem fit, which shall not be less than Rs 50,000.

The Appellate Tribunal may amend its order, at any time within fifteen days from the date of communication of order, to rectify any clerical, arithmetical errors or error arising therein from accidental slip and omission apparent from the record, if the mistake is either brought to its notice by the Collector of Customs or the other party to the appeal.

The Appellate Tribunal's order will remain pending for 30 days during which the Collector or other party to the appeal may refer the case to the High Court.

194C Procedure of Appellate Tribunal

This bill seeks to omit this section due to its redundancy considering the proposed insertion of sections 194, 194B and 194C.

195C Alternate Dispute Resolution

The significant proposed amendments relevant to the Alternate Dispute Resolution (ADR) are as under:

The application shall be accompanied by an initial proposition for resolution, including an offer of payment of duties and taxes.

The ADR could be in connection with any dispute pertaining to liability of customs-duty, admissibility of refund or rebate, waiver or fixation of penalty or fine, confiscation of goods, relaxation of any time period or procedural and technical condition which is under litigation in any court of law or an appellate authority, except in the cases where criminal proceedings have been initiated or where interpretation of question of law having larger revenue impact in the opinion of the Board. Currently, the option was not available in all the cases of FIR, now this restriction is confined to the cases involving criminal proceedings only.

The timeline for appointment of committee by the Board has been reduced to 15 days from existing 30 days. Similarly, the timeframe to decide the dispute by the committee has been reduced to 45 days, which can be extended by an additional 15 days by recording the reasons in writing, as opposed to existing 90 days.

In case of a successful resolution, the aggrieved party shall withdraw the pending appeal and communicate to the Collector within 30 days. The Collector shall also withdraw any pending appeal within 30 days of receiving the withdrawal of appeal order from the aggrieved party.

196 Reference to High Court

The significant proposed amendments relevant to the High Courts are as under:

The time frame for filling a reference to High Court has been reduced to 30 days from the existing 90 days. Similarly, the prescribed fee for filling of reference has been increased to Rs. 50,000 for persons other than Officers of customs from the current fee of Rs. 100.

Under the existing law, an application before High Court can only be made if a question of law arises from the Appellate Tribunal's order. Now, reference can also be made by stating any question of law or a mixed question of law and fact arising out of such order. The said application should be in the prescribed form along with a statement of the case and also accompanied by the complete record of the Appellate Tribunal within fifteen days of the reference.

The special bench comprising of not less than two judges shall decide the reference within 6 months from the date of filing and to ensure timely decisions, a case management system must be implemented.

The duties must to be paid in accordance with the order of Appellate Tribunal even if a reference has been preferred before High Court. The Collector's recovery process is to be halted for a period of 15 days, commencing upon receipt of the tribunal's order.

Where duties and taxes are reduced, leading to a refund due to a High Court judgment, the High Court may, on application submitted by an officer of Customs authorized by the Collector or Director, within thirty days of the judgment of the High Court, that he wants to prefer petition for leave to appeal to the Supreme Court., make an order authorizing the Collector to postpone the refund until the disposal of the appeal by the Supreme Court.

Schedule

First Schedule

Proposed Changes in Custom Duty

Following amendments have been proposed through the Finance Bill:

Significant Changes in rates of CD

PCT CODE	Description		Existing Rate	Proposed rates
Proposed decrease in Custom Duty Rates				
2710.1931	High speed diesel oil		11%	0%
2711.1100	Natural gas		11%	0%
Proposed increase in Custom Duty Rates				
7311.0040	For Aerosol products		11%	16%
Proposed introduction of new PCT Codes for Levy of Custom Duty				
1102.9010	Rice Flour			11%
1102.9090	Other			11%
3907.2910	Polyol blended with HCFC-141b or HCFC-142b			0%
3907.2990	Other			0%
8481.3010	Check (nonreturn) valves	For tyre tubes		16%
8481.3090		Others		16%
8544.6020	Photovoltaic power cable having single conductor of kind used for solar			20%

9004.9010	Night Vision Goggles		11%
9004.9090	Other		11%
9018.3981	Evacuated tubes for	-- Of glass	20%
9018.3982	the collection and	--- Of PET	20%
9018.3989	transport of blood	--- Other	20%

Amendment in Description of PCT Codes

Description of the following PCT Codes is proposed to be amended:

PCT CODE	Proposed Amendment
2930.9091	Bill proposes to amend the description by replacing sign ‘<’ with ‘less than’ to correct the description.
8413.9130	Inclusion of HS Code 8413.7019 in the description to exempt parts of submersible pumps exempted.
9908	Substitution of description to transfer the authority to recommend exemptions from the Federal Government to the Minister In-charge, streamlining the process for granting exemptions on donations and gifts without Cabinet approval. It also introduces a verification process by the relevant Ministry and requires an undertaking to ensure the donated goods are used solely for their intended purpose.
9917	Substitution of description to enlarge its scope by extending the exemption of CD on import of ship bunker oil to contractors and sub-contractors of operating companies of the concession holders.
9921	Substitution of description to allow enlarge its scope by allowing exporters to use duty paid container for transportation of export cargo, on its reimportaion without payment of duty and taxes.
9919	Substitution of description to extend the timeline for an additional six months for the re-export of goods and to extend the exemption to carpets for the purpose of reapiring by the Sales Tax registered manufacturers having in-house facility.

Withdrawal of Exemption

PCT Code 9932: The bill proposes deleting the PCT Code to withdraw the customs duty exemption on temporary imports of Heing, Zeera and other medicinal herbs from Afghanistan, aiming to prevent misuse and tax evasion.

Fifth Schedule

Exemptions Through Amendments in Fifth Schedule

The bill proposes to amend the existing entries in the Fifth Schedule which prescribes special rates of duties upon fulfillment of certain conditions prescribed therein to incorporate the measures in line with the Government policy to incentivize certain sectors.

Summary of key proposed amendments in fifth schedule

PCT CODE	Description	Existing rates	Proposed rates
8534.0000	Bare Metal Clad Printed Circuit Board (MCPCB)	0%	11%
8539.9090	Stuffed Metal Clad Printed Circuit Board (MCPCB)	0%	0%
3004.3900	Bovine Lipid Extract Surfactant	11%	0%
Respective Heading	Livestock imported for research purpose by registered units under the Sales Tax Act,1990, certified by Ministry of National Food Security and Research	3% - 20%	0%
08.00	Fresh and Dry Fruits Of Afghanistan origin and imported from Afghanistan except apples	10%	Omitted and Shifted to 1st Schedule (3% -20%)
10.01	Wheat	0%	Omitted and Shifted to 1st Schedule 11%
1701.1390 1701.1400	Cane Sugar If imported by private sector	0%	Omitted and Shifted to 1st Schedule 20%
1701.1200	Beet Sugar If imported by private sector	0%	Omitted and Shifted to 1st Schedule 20%
1701.9910	White crystalline cane sugar	0%	Omitted and Shifted to 1st Schedule 20%

1701.9920	White crystalline beet sugar		0%	Omitted and Shifted to 1st Schedule 20%
8534.0000	Manufacturer of Home Appliances subject to annual quota determination by the Input Output Co-efficient Organization.	Printed circuits	0%	Omitted and Shifted to 1st Schedule 20%
8529.9090		Glass board for manufacturing TV panels (LCD, LED, OLED, HDI etc.)	0%	10%
8703.8090	Electric Vehicles 4-wheelers of value exceeding US$ 50,000		25%	50%
0301.9200	Live (baby) Fish and shrimp/prawns for Breeding and production in commercial farms and hatcheries	Eels (Anguilla spp.)	0%	Omitted and Shifted to 1st Schedule 11%
0301.9400		Atlantic and Pacific bluefin tunas (Thunnus thynnus, Thunnus orientalis)	0%	Omitted and Shifted to 1st Schedule 11%
0301.9500		Southern bluefin tunas (Thunnus maccoyii)	0%	Omitted and Shifted to 1st Schedule 11%
0306.3600		Other shrimps and prawns	11%	0%

Part-I (1)(K) **Machinery, Equipment, Capital Goods, and Materials for Hatcheries, Farms, Feed Mills, and Seafood Processing Units**

The Bill proposes to enlarge the scope of exemption of customs duties on import of fish or shrimp farming and seafood processing machinery and equipment. The substitution is as follows:

PCT CODE	Description	Proposed Rates	Conditions
Respective Heading	Machinery, equipment, capital goods, and materials for setting up, modernization, replacement or expansion for hatcheries, farms, feed mills and seafood processing units of fish and shrimp sector.	0%, 3%, 5%	1. Imports by fish/shrimp hatcheries, farms, feed mills and seafood processing units, registered under the Sales Tax Act, 1990 and Fisheries Development Board or concerned Ministry; and 2. Ministry of National Food Security and Research shall certify in the prescribed manner and format as per Annex-B to the effect that the imported goods are bona fide requirement. The Authorized Officer of the Ministry shall furnish all relevant information online to Pakistan Customs Computerized System against a specific user ID and password obtained under Section 155D of the Customs Act, 1969.

Part-I (21)(7b) **Duty Reduction on Specific Goods**

The Bill proposes to reduce the duty to 0% on specific machinery and equipment if imported by local assemblers/manufacturers registered under the Sales Tax Act and subject to annual quota determination by the Input Output Co-Efficient Organization (IOCO). The proposed amendments are as follows:

Description	Proposed Rates	Items
Parts for PV Modules	0%	Solar cells, Tempered Glass, Aluminum frames, O-Ring, Flux and preparations for metal surfaces, Adhesive, Junction box & Cover, Sheet mixture of Paper and plastic, Ribbon for PV Modules (made of silver, copper and lead).

Description	Proposed Rates	Items
Raw Materials for PV Modules	0%	Silicon Adhesive/Sealant, MC4 Connectors, Back sheet film, packing boxes/modules, Corner block, polythene compound, Tin ingot, Plates, sheets and strip of cellular rubber (vulcanized), and Glass fibers (including glass wool) and articles thereof.
Parts of Solar Inverters	0%	Control board, Power board, Charge controller board A/C, Charge controller board PV, DC-DC board, LCD Display, Display board, AC input & Output terminal, Battery input terminals, PV terminals, Casings (Plastic or Steel), Circuit Board (CB) for inverters, Stuffed PCBs for inverters.
Parts of Lithium Batteries	0%	Cells, Copper Bar (Cell to Cell Connection), BMS (level 1) Electronic Card, Casing, Harness Set (Cells Monitoring Wires with tags), Output Terminal with screws, Power Cables (Battery Internal), DC Fan, DC Breaker, Packing Screws, Terminal Covers, Acrylic Sheet (Short Circuit Safety Sheet), Other Accessories (Temp Sensors, connectors, assembly items, Handles).

Part-I (21)(8) **Duty Reduction on machinery and equipment imported by manufacturing units of Solar Cells, Solar Panels, Solar Inverters & Solar BatteriesSpecific Goods**

The Bill proposes to reduce the duty to 0% on the certain machinery and equipment, if imported by the local manufacturing units subject to the fulfillment of the following conditions:

- Engineering Development Board (EDB) shall certify in the prescribed manner that the imported goods are bona fide project requirement.
- The authorized officer of the EDB shall furnish all relevant information online to Pakistan Customs Computerized System against a specific user ID and password obtained under section 155D of the Customs Act, 1969.
- The goods shall not be sold or otherwise disposed of without prior approval of the FBR and payment of customs duties and taxes leviable as prescribed by FBR mentioned below.

List of items to be substituted are as under:

Description	Proposed Rates	Items
Raw materials for the	0%	Silicon Adhesive/ Sealant, MC4 Connectors, Back sheet film, packing boxes/ modules, Corner block,

manufacture of PV Modules		polythene compound, Tin ingot, Plates, sheets and strip of cellular rubber (vulcanized) and Glass fibers (including glass wool) and articles thereof.
Parts of Solar Inverters	0%	Control board, Power board, Charge controller board A/C, Charge controller board PV, DCDC board, LCD Display, Display board, AC input & Output terminal, Battery input terminals, PV terminals, Casings (Plastic or Steel), Circuit Board (CB) for inverters, Stuffed PCBs for inverters.
Parts of Lithium Batteries	0%	Cells, Copper Bar (Cell to Cell Connection), BMS (level 1) Electronic Card, Casing, Harness Set (Cells Monitoring Wires with tags), Output Terminal with screws, Power Cables (Battery Internal), DC Fan, DC Breaker, Packing Screws, Terminal Covers, Acrelic Sheet (Short Circuit Safety Sheet), Other Accessories (Temp Sensors, connectors, assembly items, Handles).

Part-III Preamble

Correction in the Preamble

The bill seeks to make corrections in the preamble by substituting the incorrect table serial numbers with the accurate ones and updating the name of the referenced Ministry.

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Part-VI Preamble

Requirements for Exemption on Aviation-Related Imports

Bill aims to streamline regulations concerning the importation of aviation-related goods, including aircraft and parts, by airline companies under the National Aviation Policy 2015. The proposed substituted conditions are as under:

(i.) The exemption shall be admissible to the Airline Companies having valid registration and license from the Aviation Division, Government of Pakistan duly shared with the Customs Computerized System or Pakistan Single Window to the effect that the intending importer is operating in the country or intends to operate in the country in the airline sector.

(ii) The Chief Executive, or the person next in hierarchy duly authorized by the Chief Executive or Head of the importing Company shall certify that the imported goods/items are the company's bonafide requirement and shall be used for the purpose as defined/notified by the Aviation Division, Government of Pakistan under the Aviation Policy. The importer shall declare all relevant information to the Customs while claiming exemption regarding genuineness of the claim through Customs computerized system or Pakistan single window.

(iii) In case of deviation from the above stipulations, the Collector of Customs shall initiate proceedings for recovery of duty and taxes under the relevant laws.

Regulatory Duty

Proposed Changes in Regulatory Duty

Following amendments regulatory structure have been announced through the Salient Features of the Budget Speech alongwith Finance Bill in respect of which the Notifications are to be issued:

- Levy of ACD on raw materials of fluids and powders for use in Hemodialyzers.
- Levy of ACD on certain items to encourage the local manufacturing sector.
- Levy or increase of RD on flat-rolled products of iron and non-alloy steel.
- The rationalization of RD on the import of new and used vehicles.
- The withdrawal of the exemption of RD on the import of ground nuts and margarine by the Food Confectionery, silver cans, and lollipop sticks.

PETROLEUM LEVY) ORDINANCE, 1961 (XXV OF 1961)

Amendment of The Petroleum Products (Petroleum Levy) Ordinance, 1961 (XXV of 1961).—

Every company, refinery, and licensee must pay a petroleum levy on petroleum products at rates notified by the Federal Government. The levy aims to generate revenue for the Federal Government and regulate the petroleum industry. This levy has an escalating effect and consequently also inflate sales tax. The Fifth Schedule of the Petroleum Products (Petroleum Levy) Ordinance, 1961 has been amended where earlier, the maximum petroleum levy rate has been provided in the Schedule, however, after amendments, a range of minimum petroleum levy rate to mmaximum petroleum levy rate is proposed. The existing and proposed table is produced below:

Petroleum levy Rate

Petroleum Products	Petroleum Products Unit	Existing	Proposed		Proposed increased
		Maximum	Minimum	Maximum	
		Rupees per Unit			
High Speed Diesel Oil (HSDO)	Liter	60	60	80	20
Motor Gasoline	Litre	60	60	80	20
Superior Kerosene Oil (SKO)	Litre	50	50	50	0
Light Diesel Oil (LDO)	Litre	50	50	75	25
High Octane Blending Component (HOBC)	Litre	50	50	75	25
E-10 Gasoline	Litre	50	50	75	25
Liquefied Petroleum Gas (produced/extracted in Pakistan)	Metric Ton	30,000	30,000	30,000	0

PROPERTIES (MANAGEMENT) ACT, 1975 (XX OF 1975)

Amendment in the Abandoned Properties (Management) Act, 1975 (XX of 1975)

The Abandoned Properties (Management) Act, 1975 (XX of 1975) was introduced for the taking over and management of the movable and immovable properties belonging to citizens of Pakistan domiciled in the territories which constituted the Province of East Pakistan. All these abandoned properties were vested to the Federal Government of Pakistan. These properties are managed by the administrator appointed by the Federal Government. The bill proposes to give power to administrator to make investment in any securities.

Additionally, the bill proposes to eliminate the sub-section (2) of section 29 to withdraw the power of the above citizens to apply for the refunds or their entitlement over the abundant properties.

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