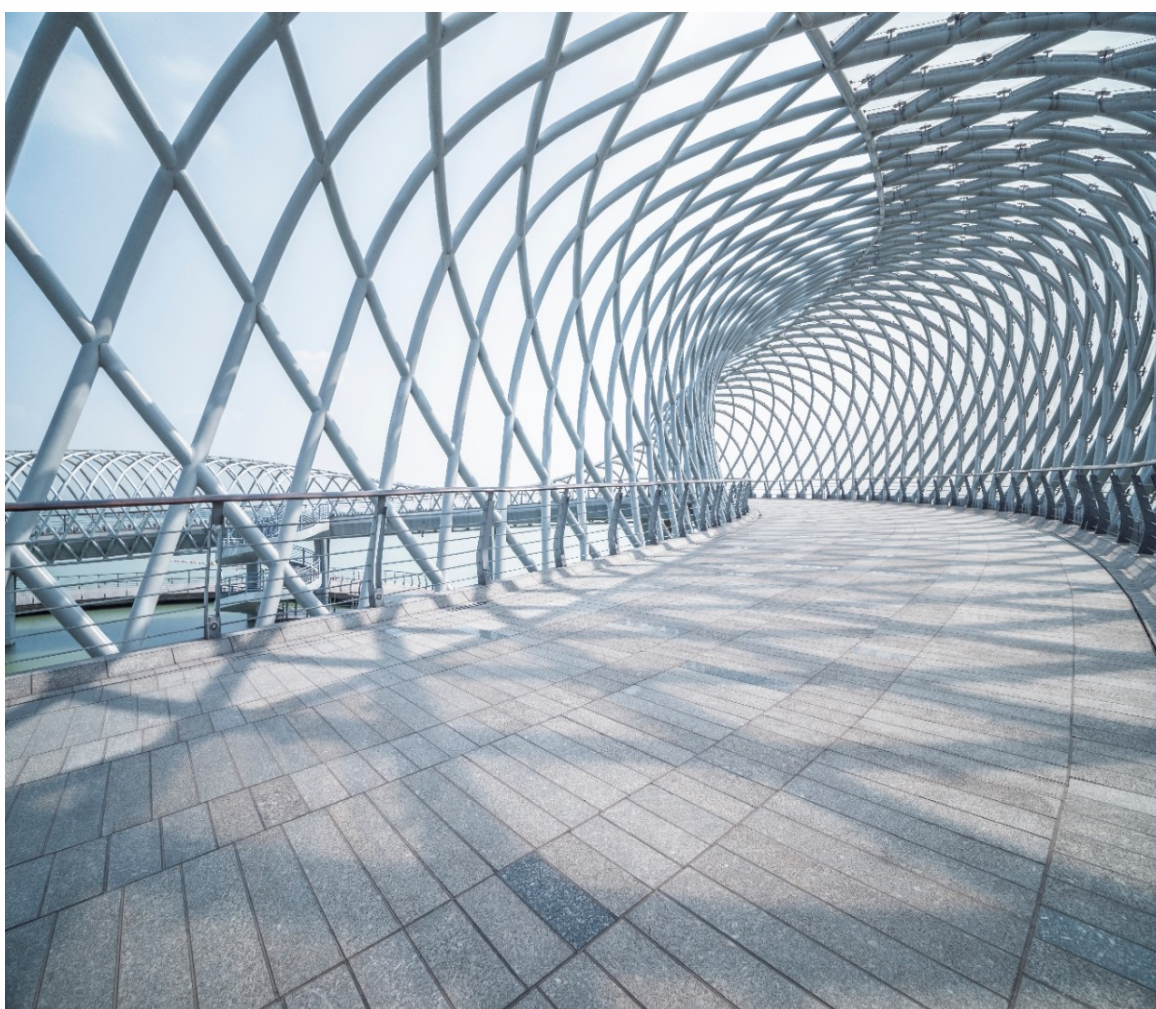


July 5, 2024

Federal & Provincial Finance Acts, 2024



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A. F. FERGUSON & CO.

FEDERAL AND PROVINCIAL FINANCE ACTS, 2024

PREFACE

This booklet contains notes and comments on the amendments made in the fiscal laws passed by Federal and Provincial assemblies of Sindh, Punjab, KPK and Balochistan. Further, this booklet also contains comments on various notifications issued under the Sindh Sales Tax law.

We consider that readers will find the booklet useful. They are, however, requested to seek specific opinion on issues emanating from the amendments.

We thank the staff which has helped us in preparing this booklet. The text of this booklet can also be accessed on our website www.pwc.com.pk

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July 5, 2024

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INCOME TAX

SURCHARGE

[Sections 4AB & 149]

For every individual (including salaried individuals) and Association of Persons (AOP), whose taxable income for the year exceeds Rs 10 million, a surcharge shall be payable at the rate of 10% of the income tax on their taxable income. For example, if a salaried person's taxable income is Rs 12 million, normal income tax thereon is worked out at Rs 3,465,000. Accordingly, he will also be liable to pay a Surcharge at the rate of 10% thereon (i.e., Rs 346,500).

Corresponding amendment has also been made in withholding tax provisions to require employers to withhold the above amount of surcharge from payments of salaries to the respective employees.

This surcharge shall not be applicable on incomes falling within the purview of final tax regime or for which special tax rates are prescribed, such as capital gains on listed securities, immovable properties, etc.

For taxpayers who are otherwise liable to pay super tax because of their income crossing the threshold of Rs 150 million, the aforesaid surcharge would apply only on their normal income tax liability whilst no surcharge shall be calculated on the amount of super tax.

TAXATION OF BUILDERS & DEVELOPERS

[Section 7F]

A special tax regime for 'Builders' and 'Developers' is prescribed whereby applicable tax will be payable on their taxable profits from below activities to be computed as under:

Sr. No.	Nature of activities	Taxable profits as a percentage of gross receipts
1	Construction and sale of residential, commercial or other buildings	10%
2	Development and sale of residential commercial or other plots	15%
3	Income derived from both the above activities together	12%

Where a taxpayer, while explaining the nature and source of the amount credited or the investment made, money or valuable article owned or the funds from which the expenditure was made, takes into account any source of income which is subject to tax as above, the taxpayer shall not be allowed to take credit of any sum as is in excess of taxable profits as computed above. If, however, his actual taxable income is more than the taxable profits as computed above, taxpayer shall be entitled to take credit of such excess income subject to the payment of tax at the applicable normal rates.

A builder or developer established by an Act of the Parliament or a Provincial Assembly or by a Presidential Order and who is engaged in activities for the benefit of its employees or otherwise (including activities for the planning and development of and for providing and regulating housing and ancillary facilities in a specified or notified area) are not covered by this regime.

ADVANCE TAX ON PURCHASE OF SHARES OF UNLISTED COMPANIES

[Section 37(6)]

The Finance (Supplementary) Act, 2023 introduced withholding tax on acquisition of shares of unlisted Pakistani companies at the rate of 10% of the 'fair market value' of such shares determined in accordance with the prescribed procedure. In alignment with the charging and computational provisions of capital gains, the withholding tax was previously applicable at the time of payment.

Through the FA, certain amendments have been made whereby such advance tax is now to be deducted at earlier of the following:

- (a) At the time of payment; and
- (b) At the time of registration of shares by the SECP or SBP, as the case may be.

**TIME EXTENSION TO PAKISTAN INTERNATIONAL AIRLINES (PIA)
FOR CARRY FORWARD OF UNADJUSTED BUSINESS LOSSES
[Section 57(2C)]**

Through the FA, the unadjusted business losses suffered by PIA for a tax year commencing on or after January 2017 have been allowed to be carried forward for 10 years (as against the 6 years' period generally allowed under the income tax law).

**TAX CREDIT ON COAL MINING PROJECTS IN SINDH
[Section 65F]**

A tax credit equal to 100% of tax payable is inter alia available to persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects, subject to certain conditions. An explanation has been inserted through the FA as a consequence of which such credit will be restricted to income derived by such persons from operation of aforesaid coal mining projects. The purpose of this explanation is to exclude the non-operational income (such as interest income) of such persons from eligibility of tax credit.

**EXEMPTION OF PARTNER'S SHARE IN PROFIT OF AOP
[Section 92]**

Prior to the FA, share of a non-corporate partner was unconditionally exempt from tax if the AOP had paid tax on its income. Through the FA, a condition has been added whereby such exemption would not be available to a partner of an AOP having turnover of Rs 300 million or above for the current tax year or any of the preceding tax years, if the AOP fails to submit financial statements audited by a Chartered Accountant or Management Accountant along with the return of income.

**SIGNIFICANT ECONOMIC PRESENCE OF A NON-RESIDENT
[Section 101 (3A) & (3B)]**

Business income of a non-resident is inter alia considered to be Pakistan sourced income to the extent to which it is directly or indirectly attributable to a 'Business connection' in Pakistan. Through the FA, the concept of 'Business Connection' has been expanded to include 'significant economic presence in Pakistan' of a non-resident.

Significant economic presence in Pakistan has been defined as:

- (a) transaction in respect of any goods, services or property carried out by a non-resident with any person in Pakistan including provision of download of data or software in Pakistan, if aggregate of payments arising from such transactions during a tax year exceeds such amount as may be prescribed;
- (b) systematic and continuous soliciting of business activities or engaging in interaction through digital means with such number of users in Pakistan as may be prescribed, irrespective of whether or not:
 - (i) the agreement for such transactions or activities is signed in Pakistan;
 - (ii) the non-resident has a residence or place of business in Pakistan; or
 - (iii) the non-resident renders services in Pakistan.

Non-resident persons covered by an applicable double tax treaty shall not be affected by the above amendment as the provisions of the double tax treaty override domestic tax legislation, subject to certain general anti-avoidance provisions.

RESTRICTION ON CLAIM OF SALES PROMOTION & ADVERTISEMENT EXPENSE
[Section 108(6)]

Prior to the FA, the Commissioner was empowered in case of a non-arm's length transaction to disallow an expense in the hands of payer if the same exceeded the arm's length value of the transaction as determined in accordance with the prescribed methods. There was, however, no restriction on claim of sales promotion and advertisement expense in such arrangements.

By way of an amendment made through the FA, the Commissioner has now been empowered to disallow upto 25% of the total expenditure on account of sales promotion, advertisement and publicity and allocate to an associate with whom an arrangement for royalty on certain intangibles is in place where such taxpayer (upon issuance of notice by the Commissioner) fails to furnish any explanation or evidence that no benefit has been conferred on the associate as a result of incurring such expenditure. This amendment is applicable for tax year 2024 and onwards. Moreover, such disallowance may be made where such royalty is claimed as a deduction in the current tax year or any of the preceding two tax years. In other words, the above disallowance or allocation of 25% expense may be made only where the taxpayer fails to substantiate that as a result of such expenditure, no benefit has accrued or conferred to the associate owning specified intangibles.

In case of the above arrangements with non-resident associates, such allocation of expense would not be ordinarily admissible to him as his royalty income would have been charged to tax under the final tax regime. For non-residents protected by an applicable double tax treaty, it can be argued that no such allocation is permissible as long as the royalty itself is on arm's length basis.

YEAR OF DISCOVERY FOR CONCEALED FOREIGN ASSETS
OR EXPENDITURE OR CONCEALED INCOME
[Section 111(2A)]

Prior to the amendments made through the FA 2018, additions on account of both local and foreign concealed assets / income / expenditure were made for the tax year to which such items pertained. After the amendments made through the FA 2018, an addition on account of concealed foreign assets or expenditure or income was to be made in the tax year immediately preceding the tax year in which such amounts were discovered by the Commissioner.

In certain cases, there was a dispute as to which was the particular tax year in which such amounts were considered as discovered by the Commissioner (i.e., the tax year in which such information was received under Common Reporting Standard mechanism or otherwise) or the tax year in which Commissioner has issued the notice.

Through an amendment made by the FA, the 'year of discovery of foreign assets or concealed income or expenditure' is being defined as the year in which the Commissioner issues a notice requiring the person to explain the nature and source of such foreign assets or concealed income. For example, if the information was received in tax year 2019 and the Commissioner issues a notice in tax year 2024, the addition shall be made in the immediately preceding tax year (i.e., tax year 2023).

RESTRICTION ON FOREIGN TRAVELS FOR NON-FILERS
[Section 114B(2)(d)]

Section 114B was introduced in 2021 whereby the FBR was inter alia empowered to carry out certain actions through general orders in respect of persons whose names were not appearing on Active Taxpayers' List. Such actions included disabling of mobile phones and / or discontinuance of utility connections.

Through the FA, the FBR has been empowered to also restrict foreign travel of such persons who are citizens of Pakistan. However, persons holding NICOP, minors, students, persons proceeding abroad for Hajj or Umrah and other classes of persons as notified by FBR shall be excluded from this restriction.

ASSETS OF SPOUSE FOR WEALTH STATEMENT

[Section 116(1)(b)]

By way of an explanation added through the FA, it is clarified that for the purpose of Commissioner's power to require any person to file a wealth statement, assets of spouse shall be included in such wealth statement only if the spouse is dependent.

SECTORAL BENCHMARKS FOR BEST JUDGEMENT ASSESSMENT

[Section 121(1A)]

For the purposes of making a best judgment assessment, the Commissioner has now been empowered to determine taxable income on the basis of sectoral benchmark ratios, which may be notified by the Board on the basis of comparative cases and includes financial ratios, production ratios, gross profit ratio, net profit ratio, recovery ratio, wastage ratio and such other ratios in respect of such sectors as may be prescribed.

APPEALS

[Sections 126A, 127, 131 & 133]

Pecuniary Jurisdiction in Appeal

Through the Tax Laws (Amendment) Act, 2024, significant amendments were introduced to revamp the two-tier appeal system whereby pecuniary jurisdiction in appeal was introduced.

Now, appeal upto a certain threshold lies before the Commissioner Inland Revenue – Appeal (CIRA). Appeals in cases involving value of assessment of tax or value of refund* exceeding the said threshold are to be filed directly before the Appellate Tribunal Inland Revenue (ATIR). A brief comparison is given below:

Forum of Appeal	Income Tax	Sales Tax	Federal Excise Duty
CIRA	Not exceeding Rs 20 Million	Not exceeding Rs 10 Million	Not exceeding Rs 5 Million
ATIR	Exceeding Rs 20 Million	Exceeding Rs 10 Million	Exceeding Rs 5 Million

* The term 'value of amount of tax' has been defined through the FA to mean the net increase in tax liability of a person as a result of order sought to be assailed; whereas the term 'value of refund' has been defined to mean the net reduction in refund as a result of order sought to be assailed.

Reference to the High Court

Once an order is issued by the CIRA or the ATIR (subject to the given threshold), the matter can be contested directly before the High Court by the aggrieved person through a reference application stating the question of law or a mixed question of law and facts arising out of the order. The filing of reference application must be accompanied by a fee of Rs 50,000 by the aggrieved person (other than the Commissioner). The Commissioner shall not make any recovery of tax for 30 days from the date of communication of order of the CIRA or ATIR, as the case may be.

Other Significant Amendments

A brief summary of other significant amendments are given below:

- (i) An appeal or a reference is required to be filed before the ATIR or the High Court (as the case may be) within a period of 30 days from the receipt of the order.
- (ii) In case of reference to the High Court, the applicant must file complete record of CIRA / ATIR (as the case may be) within 15 days of preferring such application.
- (iii) Cases pending before the CIRA and having value of tax or refund exceeding the prescribed threshold shall stand transferred to ATIR on and from December 31, 2024. Such cases are required to be decided within a specified period from the date of transfer.

- (iv) It has been clarified by way of an explanation inserted through the FA that reference against order of the CIRA shall lie before the High Court if communicated after the date of Tax Laws (Amendment) Act, 2024. Accordingly, the same cannot be contested before the ATIR regardless of the value of assessment of tax or refund.
- (v) ATIR shall decide appeal within 90 days of filing, except for those pending on the commencement of the Tax Laws (Amendment) Act, 2024, which shall be decided within 180 days. If not decided within these periods, condonation from the Minister of Law and Justice is required, which shall not extend beyond 90 days.
- (vi) The maximum period of stay granted by the ATIR has been reduced from 180 days to 90 days, however, the stay would remain effective till the decision of the appeal in case the appeal is not decided by the ATIR within the statutory time limit.
- (vii) The ATIR is required to apprise the taxpayer about the option to pursue the matter in ADRC and incase, the taxpayer wishes to proceed with the appeal, a schedule will be prescribed for hearing and decision of appeal.
- (viii) Federal Government has been empowered to appoint Chairman and Members of the ATIR. Earlier, such powers were vested with the Prime Minister of Pakistan. The eligibility criteria to become member ATIR has been revised in the manner that the distinction between the Judicial Members and Accountant Members have been removed.
- (ix) On an application in a particular reference, the High Court may grant a stay from recovery of tax conditional upon deposit of at least 30% of the tax determined by the CIRA or ATIR (as the case may be). Such stay order shall cease to have effect on the expiration of a period of six months unless the reference is decided or such order is withdrawn by the High Court.
- (x) State-Owned Enterprises (SOE) as defined under State-Owned Enterprises (Governance and Operations) Act, 2023 are mandatorily required to first apply to the Board for the appointment of a committee for the resolution of any dispute. An appeal to the ATIR or the High Court or the Supreme Court as the case may be, can be filed if the Committee fails to decide.
- (xi) The provisions relating to ADRC have been revamped to cater for tax disputes amounting to Rs 50 million or above for non-SOE taxpayers. Furthermore, ADRC decision will be binding on taxpayers.
- (xii) Establishment of a Directorate General of Law under both the Sales Tax Act, 1990 and the Federal Excise Act, 2005.

PERIOD OF LIMITATION
[Section 239(18)]

In order to resolve the controversy relating to the time limitation to be followed for filing an appeal before the ATIR or the High Court in respect of the orders already received prior to the commencement of Tax Laws (Amendment) Act, 2024, it has been provided that the time limitation as applicable prior to the introduction of Tax Laws (Amendment) Act, 2024 shall be applicable in such cases.

Matters not addressed through the Finance Act, 2024

The following issues have not been addressed through the FA and thus, require clarity and redressal:

- (i) SOE is mandatorily required to first pursue the case in ADRC. Presently, a tax demand is deemed to have been stayed on the constitution of a Committee till its decision or dissolution. However, no such protection is presently available prior to the constitution of the Committee; and
- (ii) The automatic stay upon payment of 10% tax demand is presently available only if the appeal is filed with CIRA. Now, since first appeal forum is ATIR in cases exceeding the prescribed threshold, the relevant provision requires amendment to account for the same.

Through the FA, certain corrective amendments have also been made to remove the ambiguities regarding the jurisdiction of CIRA, ATIR and High Court. However, various other corrective amendments are still required to align the laws relating to appeal system under Sales Tax and Federal Excise laws.

RESTORATION OF COMMISSIONER'S POWER TO REJECT LOWER ESTIMATE OF ADVANCE TAX [Section 147(6B)]

Prior to the FA, the amount of quarterly advance tax was required to be computed in the case of AOPs and companies on the basis of tax to turnover ratio and in case of failure to provide such information or where the amount of turnover is not known, the quarterly turnover was to be taken as one fourth of 110% of the turnover of latest tax year for which return was filed. Through the FA, the threshold has been increased from 110% to 120%.

FA has restored the powers of Commissioner to reject lower estimate of advance tax filed by a taxpayer. Similar powers were earlier in place from July 1, 2018 to June 30, 2021.

ABOLISHMENT OF FINAL TAX REGIME FOR DIRECT & INDIRECT EXPORTERS OF GOODS [Sections 147(6C), 154 & 168(3) & 169]

Since early 1990s, export of goods has been subjected to final tax regime whereby withholding tax collected by the Authorized Dealers on remittance of export proceeds was considered to be final discharge of their tax liability irrespective of underlying income / loss. Similar tax regime was also applicable for entities operating in Export Processing Zones (EPZs) as well as indirect exporters.

Whilst the scope of amounts taxable under various final tax regimes were brought to normal / minimum tax regime in 2019, exporters remained under FTR. FA has now amended the regime for direct / indirect exporters whereby tax collected from them at the rate of 1% is to be treated as minimum tax and consequently such persons shall be required to compute their normal taxable income / loss in accordance with applicable provisions and in case 1% withholding tax is lower than tax computed on such taxable income, the incremental tax will have to be paid. As a result of change in tax regime, exporters will also be liable to pay super tax as against the earlier position regarding non-applicability on their income having been subject to final tax.

Apart from the above, a new provision has now been added in section 147 (Advance Tax) whereby specified withholding agents are now required to collect 1% advance income tax from the exporters of goods (whether direct or indirect) at the time of realisation of export proceeds, etc.

As a result of these amendments, revised tax impact on exporters and other persons is tabulated as under:

Nature of transaction	Withholding Agent	Prior to FA	Subsequent to FA	
		Final tax	Minimum tax	Advance tax [under section 147(6C)]
Export of goods	Banks	1%	1%	1%
Indirect exporter under inland back-to-back L/C arrangements	Banks	1%	1%	1%
Exports by EPZ entities	EPZA	1%	1%	1%
Sale of goods by an indirect exporter to certain direct exporters and export houses, etc.	Exporters / Export house	1%	1%	1%
Clearance of certain exported goods	Collector of Customs	1%	1%	1%

MINIMUM VALUE OF IMPORTS FOR COLLECTION OF ADVANCE TAX
[Section 148(6A)]

Prior to the FA, the value of imported goods for the purpose of collection of advance tax from imports was taken to be the customs assessed value as enhanced by customs duty and sales tax or where the goods were chargeable to sales tax on the basis of retail price, such price thereof.

Through the FA, the FBR has been empowered to determine the minimum value of certain goods for the purpose of collection of such advance tax through a notification in official gazette. In case of such goods, the advance income tax shall now be collected on the basis of such notified minimum value of goods as enhanced by customs duty and sales tax applicable thereon. In such cases, there could be different values of imported goods for the purpose of collection of indirect and direct taxes.

RESTRICTION ON COMMISSIONER'S POWER TO ISSUE
REDUCED RATE CERTIFICATE
[Sections 152(4A) & 153(4)]

Prior to the Finance Act, the Commissioner Inland Revenue was empowered to issue exemption certificates, subject to certain conditions, in case of payments (not subject to minimum tax) for sale of goods, services rendered and execution of contracts by resident and non-resident persons.

Through the Finance Act, the power to issue exemption certificate in such cases has been withdrawn and the Commissioner is now empowered to only issue reduced rate certificate provided that the reduction so allowed through a lower rate certificate will be restricted only upto 80% of the normal rate.

For example, in case of a corporate manufacturer of goods whose normal withholding tax rate on payment against sale of such goods is 5%, he would now be able to obtain a reduced rate certificate of upto 1% (i.e., maximum reduction of 4% being 80% of 5% is allowed).

PENALTY AND PROSECUTION FOR A PERSON WHO FAILS TO FURNISH
A FINAL RETURN IN CASE OF DISCONTINUATION OF BUSINESS
[Section 191 & S. No. 1B of Table contained in Section 182]

Penalty has been prescribed for a person who fails to furnish a return of income of discontinued business as required by the Commissioner within the time specified in the notice. Such person is required to pay a penalty of 0.1% of the tax payable in respect of tax year for each day of default or Rs 1,000 per day of default, whichever is higher. However, minimum penalty has been prescribed at Rs 10,000 in case of an individual and Rs 50,000 in all other cases.

Such person shall also be considered to have committed an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both.

***PENALTY AND PROSECUTION FOR SMALL TRADER OR SHOPKEEPER
WHO IS REQUIRED TO APPLY FOR REGISTRATION
UNDER THE ORDINANCE BUT FAILS TO REGISTER
[Section 191B and S. No. 3A of Table contained in Section 182]***

Penalty has been prescribed for a trader or shopkeeper who is required to apply for registration but fails to register or pay advance tax as specified in a scheme of special procedure prescribed under section 99B of the Ordinance, such as Tajir Dost Scheme. The shop of such person shall be sealed for 7 days for the first default and for 21 days for each subsequent default. Moreover, such trader or shopkeeper shall be deemed to have committed an offence punishable on conviction with fine or imprisonment for a term not exceeding 6 months or both.

***PENALTY FOR FAILURE TO COMPLY WITH FBR GENERAL ORDER
FOR DISCONNECTION OF UTILITIES, ETC.
[S. No. 10A of Table contained in Section 182]***

Penalty has been prescribed for a person who fails to comply with income tax general order issued by the Board in respect of persons who are not appearing on active taxpayers' list but are liable to file return under the provisions of the Ordinance within 15 days of the issuance of general order. Such person shall pay a penalty of Rs 50 million for the first default and Rs 100 million for each subsequent default. This penalty appears to apply on utility companies and telecom sector companies if they fail to comply with the FBR's general order directing them to disconnect connections of delinquent taxpayers. It has further been provided that the imposition of penalty shall be effective from the date prescribed by the FBR.

***PENALTY FOR A PERSON WHO FAILS TO PAY TAX AT THE TIME OF
MAKING PAYMENT FOR SHARES ACQUIRED
[S. No. 12A of Table contained in Section 182]***

Penalty (@ 50% of amount of tax involved) has been prescribed for a person who fails to pay tax at the time of making payment as consideration of shares or at the time of registration of shares by the SECP or SBP, whichever is earlier.

***PENALTY AND PROSECUTION FOR COMPANY AND ASSOCIATION OF PERSONS
WHO FAIL TO FURNISH INFORMATION IN RETURN OF INCOME
[Section 191A & S. No. 35 of Table contained in Section 182]***

Penalty has been prescribed for a company (including banking company) and an AOP who fails to fully state all the relevant particulars or information as specified in the form of return, including declaration of records, or furnishes any incomplete or blank annexure, statement or document as prescribed in sub section 2 of section 114 of the Ordinance.

Such company (including a banking company) and AOP shall pay a penalty of Rs 500,000 or 10% of tax chargeable on the taxable income, whichever is higher. Such persons shall also be deemed to have committed an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both.

***RATE OF DEFAULT SURCHARGE
[Section 205]***

Prior to the FA, the rate of default surcharge was 12% per annum. Through the FA, the rate has been increased to be the higher of 12% per annum or KIBOR plus 3%. Similar amendments have also been made in Sales tax and Federal Excise laws.

TAX FRAUD INVESTIGATION WING (TFIW)
[Section 230K]

Through the FA, provisions have been introduced in Income Tax, Sales Tax and Federal Excise Laws to establish TFIW to detect, analyze, investigate, combat and prevent tax fraud.

The TFIW shall comprise of:

- Fraud Intelligence and Analysis Unit
- Fraud Investigation Unit
- Legal Unit
- Accountants' Unit
- Digital Forensic and Scene of Crime Unit
- Administrative Unit
- Any other Unit as may be notified by the Board by notification in the official Gazette.

The functions, jurisdiction and powers of TFIW and its officers will be notified by FBR in official gazette.

***ADVANCE TAX ON SALES TO DISTRIBUTORS, DEALERS,
WHOLESALEERS & RETAILERS***
[Section 236G & 236H]

Prior to the FA, manufacturers, distributors, wholesalers and commercial importers of certain specified sectors were required to collect advance tax at the applicable rates from sales to distributors, dealers, wholesalers and retailers, as the case may be.

Through the FA, the scope of above provisions has been extended to all business sectors. Furthermore, rates of tax collection in case of persons who are not appearing in ATL have also been revised upwards.

FIRST SCHEDULE (RATES OF TAX)

INCREASE IN TAX RATES FOR NON-CORPORATE TAXPAYERS [Division I of Part I]

Through the FA, the slab rates have been revised for salaried and non-salaried individuals as well as Association of Persons (AOP). The maximum rate for salaried individuals has been kept at 35% with revisions within different slabs. However, for non-salaried individuals and AOPs, the maximum rate has been enhanced from 35% to 45%. As no amendment has been made to the rate for corporate taxpayers, it appears that the purpose of enhancing the rates for AOPs and non-salaried Individuals is to indirectly encourage corporatization of large businesses. For professional firms which are prohibited from incorporation under any law or rules promulgated by the relevant regulatory body, the FA has prescribed the maximum rate of 40% (as against enhanced rate of 45%).

NON-SALARIED INDIVIDUALS / AOPs (COMPARISON OF PREVIOUS AND REVISED RATES)

Sr No.	Taxable income	Previous Incremental Rates	Revised Incremental Rates
1.	Upto Rs 600,000	Rs. 0	Rs. 0
2.	Exceeding Rs 600,000 upto Rs 800,000	7.5% of the amount exceeding Rs 600,000	15% of the amount exceeding Rs 600,000
3.	Exceeding Rs 800,000 upto Rs 1,200,000	15% of the amount exceeding Rs 800,000	15% of the amount exceeding Rs 800,000
4.	Exceeding Rs 1,200,000 upto Rs 1,600,000	20% of the amount exceeding Rs 1,200,000	20% of the amount exceeding Rs 1,200,000
5.	Exceeding Rs 1,600,000 upto Rs 2,400,000	20% of the amount exceeding Rs 1,600,000	30% of the amount exceeding Rs 1,600,000
6.	Exceeding Rs 2,400,000 upto Rs 3,000,000	25% of the amount exceeding Rs 2,400,000	30% of the amount exceeding Rs 2,400,000
7.	Exceeding Rs 3,000,000 upto Rs 3,200,000	30% of the amount exceeding Rs 3,000,000	30% of the amount exceeding Rs 3,000,000
8.	Exceeding Rs 3,200,000 upto Rs 4,000,000	30% of the amount exceeding Rs 3,200,000	40% of the amount exceeding Rs 3,200,000
9.	Exceeding Rs 4,000,000 upto Rs 5,600,000	35% of the amount exceeding Rs 4,000,000	40% of the amount exceeding Rs 4,000,000
10.	Exceeding Rs 5,600,000	35% of the amount exceeding Rs 5,600,000	45% of the amount exceeding Rs 5,600,000

The impact of changes in tax rates through the FA on non-salaried individuals / AOPs (other than professional firms) including effect of surcharge and super tax (wherever applicable) is illustrated as under:

Annual taxable income	Tax Year 2024		Tax Year 2025			Increase in tax	
(Rupees)	Income Tax	Effective Tax Rate	Income Tax	Surcharge U/S 4AB	Effective Tax Rate	(Rupees)	Effective Tax Rate
600,000	-	-	-	-	-	-	-
800,000	15,000	1.88%	30,000	-	3.75%	15,000	1.88%
1,200,000	75,000	6.25%	90,000	-	7.50%	15,000	1.25%
1,600,000	155,000	9.69%	170,000	-	10.63%	15,000	0.94%
2,400,000	315,000	13.13%	410,000	-	17.08%	95,000	3.96%
3,000,000	465,000	15.50%	590,000	-	19.67%	125,000	4.17%
3,200,000	525,000	16.41%	650,000	-	20.31%	125,000	3.91%
4,000,000	765,000	19.13%	970,000	-	24.25%	205,000	5.13%
5,600,000	1,325,000	23.66%	1,610,000	-	28.75%	285,000	5.09%
6,000,000	1,465,000	24.42%	1,790,000	-	29.83%	325,000	5.42%
8,000,000	2,165,000	27.06%	2,690,000	-	33.63%	525,000	6.56%
10,000,000	2,865,000	28.65%	3,590,000	-	35.90%	725,000	7.25%
12,000,000	3,565,000	29.71%	4,490,000	449,000	41.16%	1,374,000	11.45%
15,000,000	4,615,000	30.77%	5,840,000	584,000	42.83%	1,809,000	12.06%
500,000,000	* 214,365,000	42.87%	* 264,090,000	22,409,000	57.30%	72,134,000	14.43%
1,000,000,000	* 449,365,000	44.94%	* 549,090,000	44,909,000	59.40%	144,634,000	14.46%

* These amounts of income tax include super tax under section 4C at applicable rates.

SALARIED INDIVIDUALS (COMPARISON OF PREVIOUS AND REVISED RATES)

Sr No.	Taxable income	Previous Incremental Rates	Revised Incremental Rates
1.	Upto Rs 600,000	-	-
2.	Exceeding Rs 600,000 upto Rs 1,200,000	2.5% of the amount exceeding Rs 600,000	5% of the amount exceeding Rs 600,000
3.	Exceeding Rs 1,200,000 upto Rs 2,200,000	12.5% of the amount exceeding Rs 1,200,000	15% of the amount exceeding Rs 1,200,000
4.	Exceeding Rs 2,200,000 upto Rs 2,400,000	12.5% of the amount exceeding Rs 2,200,000	25% of the amount exceeding Rs 2,200,000
5.	Exceeding Rs 2,400,000 upto Rs 3,200,000	22.5% of the amount exceeding Rs 2,400,000	25% of the amount exceeding Rs 2,400,000
6.	Exceeding Rs 3,200,000 upto Rs 3,600,000	22.5% of the amount exceeding Rs 3,200,000	30% of the amount exceeding Rs 3,200,000
7.	Exceeding Rs 3,600,000 upto Rs 4,100,000	27.5% of the amount exceeding Rs 3,600,000	30% of the amount exceeding Rs 3,600,000
8.	Exceeding Rs 4,100,000 upto Rs 6,000,000	27.5% of the amount exceeding Rs 4,100,000	35% of the amount exceeding Rs 4,100,000
9.	Exceeding Rs 6,000,000	35% of the amount exceeding Rs 6,000,000	35% of the amount exceeding Rs 6,000,000

The impact of changes in tax rates through the FA along with the effect of surcharge and super tax (wherever applicable) is illustrated as under:

Annual taxable income (Rupees)	Tax Year 2024		Tax Year 2025			Increase in tax	
	Income Tax	Effective Tax Rate	Income Tax	Surcharge U/S 4AB	Effective Tax Rate	(Rupees)	Effective Tax Rate
600,000	-	-	-	-	-	-	-
1,200,000	15,000	1.25%	30,000	-	2.50%	15,000	1.25%
2,200,000	140,000	6.36%	180,000	-	8.18%	40,000	1.82%
2,400,000	165,000	6.88%	230,000	-	9.58%	65,000	2.71%
3,200,000	345,000	10.78%	430,000	-	13.44%	85,000	2.66%
3,600,000	435,000	12.08%	550,000	-	15.28%	115,000	3.19%
4,100,000	572,500	13.96%	700,000	-	17.07%	127,500	3.11%
6,000,000	1,095,000	18.25%	1,365,000	-	22.75%	270,000	4.50%
8,000,000	1,795,000	22.44%	2,065,000	-	25.81%	270,000	3.38%
10,000,000	2,495,000	24.95%	2,765,000	-	27.65%	270,000	2.70%
12,000,000	3,195,000	26.63%	3,465,000	346,500	31.76%	616,500	5.14%
15,000,000	4,245,000	28.30%	4,515,000	451,500	33.11%	721,500	4.81%
200,000,000	* 70,995,000	35.50%	* 71,265,000	6,926,500	39.10%	7,196,500	3.60%
300,000,000	* 112,995,000	37.67%	* 113,265,000	10,426,500	41.23%	10,696,500	3.57%

* These amounts of income tax include super tax under section 4C at applicable rates.

Increase in rate of tax / withholding on dividend [Division III of Part I & Division I of Part III]

Tax and withholding rates in case of dividend from mutual funds deriving 50% or more income from profit on debt have been increased from 15% to 25%.

TAX RATES ON DISPOSAL OF LISTED SECURITIES
[Division VII of Part I]

Prior to the FA, the rates of tax on capital gains on sale of listed securities were prescribed on the basis of 'holding period'.

After the FA, capital gains on disposal of listed securities would be taxed on the basis of 'acquisition date' as under:

a) Securities acquired on or after July 1, 2024:

<i>Category</i>	<i>Revised Rate</i>	
Persons appearing on ATL on the date of acquisition and disposal securities	Flat rate of 15%	
Persons not appearing on ATL on the date of acquisition and disposal securities	Individuals and AOPs	Higher of 15% or slab rates as specified in Division I of Part I to the First Schedule
	Company	Corporate Rate of tax as specified in Division II of Part I to the First Schedule

b) Securities acquired between July 1, 2022 and June 30, 2024:

Capital gains would continue to be taxed at the applicable slab rate on the basis of respective holding period:

<i>Holding Period</i>	<i>CGT Rate</i>
Less than 1 year	15%
From 1 year to 2 years	12.5%
From 2 years to 3 years	10%
From 3 years to 4 years	7.5%
From 4 years to 5 years	5%
From 5 years to 6 years	2.5%
More than 6 years	0%

c) Securities acquired between July 1, 2013 and June 30, 2022:

Capital gains would continue to be taxed at a flat rate 12.5%.

d) Securities acquired before July 1, 2013:

Capital gains would continue to be taxed at 0%.

Increase in tax on capital gains on sale of unit of Mutual Funds & REIT Schemes

Withholding tax on capital gains from Mutual Funds or REIT Scheme has been enhanced as tabulated below:

Category	Old	Revised
Individual and AOP	10% for stock funds 10% for other funds	15% for stock funds 15% for other funds
Company	10% for stock funds 25% for other funds	15% for stock funds 25% for other funds

In case of stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction has been increased from 12.5% to 15%.

Prior to the FA, no tax on capital gains was to be deducted if the holding period of the mutual fund / REIT units was more than six years. This concession has now been restricted to only those units which were acquired on or before June 30, 2024.

CAPITAL GAINS TAX ON IMMOVABLE PROPERTY [Division VIII of Part I]

Through the FA, a flat rate of 15% has been prescribed on gain from disposal of immovable property acquired on or after July 1, 2024 by persons appearing in ATL on the date of disposal, regardless of the holding period. For persons not appearing in ATL, progressive tax rates on income with the minimum tax of 15% have been prescribed.

There is no change through the FA in capital gains tax regime for properties acquired before July 1, 2024 which remain taxable at varying rates upto 15% depending on holding period and on the respective class of property (open plots, constructed property and flats). Immovable properties so acquired before July 1, 2024 which are disposed of after specified holding period would remain subject to 0% tax.

WITHHOLDING TAX RATES FOR TOLL MANUFACTURING [Division III of Part III]

Through the Finance Act 2020, specific withholding tax rate was introduced in case of payment for toll manufacturing. Through the FA, the rates have been increased as under:

Taxpayer category	Old rate	Revised rate
Company	5%	9%
Others	5.5%	11%

WITHHOLDING TAX RATES FOR TELEPHONE AND INTERNET USERS [Division V of Part IV]

The FBR is inter alia empowered to disable mobile phones, discontinue electricity and gas connections in case of persons whose name are not appearing in the ATL but are liable to file income tax return. For this purpose, a general order can be issued by the FBR.

The withholding tax rate in case of persons appearing in the abovementioned general order has been increased from 15% to 75% of the amount of the bill / sale price of internet prepaid card / prepaid telephone card / sale of units to any electronic medium.

It appears that even if the person files his return of income and his mobile connection is restored in accordance with the process laid down in the above-referred general order, he will be exposed to collection of enhanced withholding tax in the above manner until his name is removed.

**ADVANCE TAX ON PURCHASE, REGISTRATION AND
TRANSFER OF MOTOR VEHICLES
[Division VII of Part IV]**

Prior to the FA, Motor vehicle registering Authority was required to collect advance tax at fixed rates based on engine capacity (of upto 2000 cc) of the motor vehicles whereas for higher engine capacities, advance tax rates were based on value of the Motor vehicles.

Through the FA, tax rates have been prescribed as under on the value of Motor Vehicles for all engine capacities:

S. No.	Engine capacity	Tax	
		Prior to FA	Subsequent to FA
1.	Upto 850 cc	Rs. 10,000	0.5% of the value
2.	851 cc to 1000 cc	Rs.20,000	1% of the value
3.	1001 cc to 1300 cc	Rs.25,000	1.5% of the value
4.	1301 cc to 1600 cc	Rs.50,000	2% of the value
5.	1601 cc to 1800 cc	Rs.150,000	3% of the value
6.	1801 cc to 2000 cc	Rs.200,000	5% of the value
7.	2001 cc to 2500 cc	6% of the value	7% of the value
8.	2501 cc to 3000 cc	8% of the value	9% of the value
9.	Above 3000 cc	10% of the value	12% of the value

**ADVANCE TAX ON PURCHASE / SALE / TRANSFER OF IMMOVABLE PROPERTY
[Divisions X & XVIII of Part IV]**

Prior to the FA, the rate of advance tax to be collected from buyer or seller on purchase / sale / transfer of property was 3% of Fair Market Value / consideration received.

Through the FA, progressive advance tax rates have been prescribed on purchase and sale of properties for the following three categories:

- (i) persons appearing in ATL;
- (ii) persons not appearing in ATL; and
- (iii) persons appearing in ATL who have filed their returns for the last 3 tax years, after the respective due dates or the extended due dates (hereinafter referred as 'late filers').

A new concept of enhanced advance tax rates on sale and purchase of immovable property has been introduced for late filers. This amendment is aimed at discouraging the practice of filing of the return of income at the time of buying and selling of properties merely to avoid enhanced collection of advance tax applicable to persons not appearing in ATL, under the Tenth Schedule. Such enhanced rate applicable to late filers is higher than the persons appearing in ATL but lower than those not in ATL.

The advance tax rates for the abovementioned categories are as under:

Advance Tax on Sale or Transfer of Immovable Property (Section 236C)				
S. No.	Gross consideration received	Tax Rates		
		Persons appearing in ATL	Persons appearing in ATL who filed returns after due date	Persons not appearing in ATL
1	Upto Rs. 50 million	3%	6%	10% of the gross amount of consideration received
2	Over Rs. 50 million to Rs. 100 million	3.5%	7%	
3	Exceeding Rs. 100 million	4%	8%	

Advance Tax on Purchase of Immovable Property (Section 236K)				
S. No.	Fair Market Value	Tax Rates		
		Persons appearing in ATL	Persons appearing in ATL who filed returns after due date	Persons not appearing in ATL
1	Upto Rs. 50 million	3%	6%	12%
2	Over Rs. 50 million to Rs. 100 million	3.5%	7%	16%
3	Exceeding Rs. 100 million	4%	8%	20%

SECOND SCHEDULE (EXEMPTIONS & TAX CONCESSIONS)

DIVERSIFIED PAYMENT RIGHTS

[Section 152, Clause (99B) of Part I and Seventh Schedule]

Exemption has been provided to the income of a Special Purpose Vehicle (SPV) buying Diversified Payment Rights from the Authorised Dealers in Pakistan. The provisions relating to withholding tax on payments to non-residents (section 152) are also not to apply to such SPVs.

Furthermore, in the context of special taxation provisions of banking companies (Seventh Schedule), it is provided that where any assets are transferred by an Authorised Dealer to an SPV, as a consequence of a Diversified Payment Rights transaction, it shall be treated as a financing transaction irrespective of the method of accounting adopted by the Authorised Dealer.

Diversified Payment Rights, Special Purpose Vehicle and Authorised Dealers are defined to mean the same as referred to in the State Bank of Pakistan's Circular(s) or Regulations on Diversified Payment Rights.

WITHDRAWAL OF TAX CONCESSION ON SUBSIDY INCOME

[Clause (102A), Part I]

Through the FA, the tax concession previously available on subsidy income of a person received from Federal Government for the purposes of implementation of any orders of the Federal Government has been withdrawn. As a result, such subsidy income would now be taxable in the hands of such recipient.

TAX EXEMPTION EXTENDED FOR ERSTWHILE TRIBAL AREA RESIDENTS

[Clause (145A) contained in Part I, Clauses (109A) & (110) contained in Part IV]

The period of exemption on income of residents of erstwhile Tribal Areas was due to expire on June 30, 2024. The said exemption along with exemption from withholding tax has been extended for another year upto June 30, 2025.

INCREASE OF WITHHOLDING TAX RATES FOR DISTRIBUTORS OF CIGARETTES

[Clause (24A), Part II]

The withholding tax rate under section 153 of the Ordinance on gross amount of payment to distributors of cigarettes has been increased from 1% to 2.5%

MINIMUM TAX ON SPECIAL ECONOMIC ZONE ENTITIES

[Clause (11A), Part IV]

A specific clause has been re-inserted to exempt Special Economic Zone entities from the purview of minimum tax regime based on turnover (section 113). Such entities are even otherwise exempt from tax for specified periods. In the past, there has remained a controversy as to whether minimum tax provisions are applicable to such entities. The amendment has now laid the controversy to rest.

SEVENTH SCHEDULE (TAXATION OF BANKING COMPANIES)

CLAIM OF PROVISIONS AGAINST NON-PERFORMING LOANS (NPL)

Seventh Schedule was introduced with effect from tax year 2009 and has been amended from time to time. Banking companies are currently allowed provisions against NPL / bad debts under the category of 'loss' upto 1% and 5% of total corporate and consumer advances irrespective of the actual provisioning.

Effective January 1, 2024, SBP has mandated the implementation of IFRS 9. Following amendments have been made to maintain the status quo of deductions as under:

- (i) Prior to the FA, 'bad debts' classified as 'sub-standard' and 'doubtful' under the Prudential Regulations of SBP were not allowed until the same are reclassified as 'loss'. The Finance Act has provided to disallow any provision for advances, off-balance sheet items or any other financial asset classified in Stage I, II or III of the Expected Credit Loss (ECL) model under IFRS 9 or any other provision against performing, under-performing or non-performing assets recorded under any accounting standard;
- (ii) Provisions or Expected Credit Loss for Advances and off-balance sheet items or any other financial asset existing before or after January 1, 2024 under IFRS 9 shall not be allowed as an expense or deduction;
- (iii) It is also clarified that "bad debts" classified as "loss" pertaining to non-performing assets under the Prudential Regulations issued by the SBP shall be allowed as deduction.

The above amendments need to be reconsidered in the light of spirit of Schedular taxation regime for banking companies which was primarily based on the accounting profit declared in the audited financial statements.

OTHER ADJUSTMENTS

This rule provides for exclusion of any adjustment on account of application of IAS 39 and 40 for the purposes of determining the taxable income of a banking company.

The references to accounting standards under this rule have been updated to broaden the scope whereby any adjustment made in accounts to comply with any applicable accounting standard (including IFRS 9) or any policy, guidelines or instructions issued by the SBP shall be disregarded. As a result of this amendment, the claim of certain provisions will be allowed on realization basis.

SUPER TAX

The levy of Super Tax under section 4C was made applicable on the banking companies "from tax year 2023 onwards" by the Finance Act, 2023. These wordings led to a conflict as to whether the same would be applicable with effect from tax year 2023 or 2024. Similar dispute arose for insurance companies in relation to applicability of super tax for tax year 2022 and was decided by the ATIR in favour of the insurance company.

An explanation has now been added to provide that the levy of super tax shall be applicable "for tax year 2023 and for all subsequent tax years". However, there is a view that an explanation cannot adversely affect tax liability for the prior periods and therefore, this amendment is likely to be subject of litigation.

TENTH SCHEDULE (RATES OF TAX FOR NON-FILERS)

Under the provisions of the Tenth Schedule, rate of tax required to be collected or deducted has been increased through the FA as under in the case of persons not appearing in the ATL:

- a) In case of advance tax collected on motor vehicles (section 231B) and on purchase of immovable property (section 236K), the rate of advance tax has been increased by 200% and 250% respectively; and
- b) In all other cases (barring certain exceptions) where the rate of tax is prescribed in the First Schedule, the rate of tax is increased by 100%.

ENHANCEMENT OF SCOPE

Through the FA, the application of Tenth Schedule has been broadened to withholding taxes applicable under other provisions of the Ordinance for which the rates are not prescribed in the First Schedule such as capital gains on purchase of shares (section 37), indirect transfer of shares (section 101A), etc. The rates of tax provided for such withholding taxes will also stand enhanced by 100% in case of payments to persons not appearing in the name of ATL.

INCREASED RATE FOR LATE-FILERS

A new category of late filers has been introduced for persons who are appearing in ATL but have not filed returns for last three tax years by the due dates or by the extended due dates. This concept is, however, only applicable for advance tax collection in relation to transactions in immovable properties.

ENHANCEMENT OF WITHHOLDING TAXES FROM NON-FILERS

The rates of tax to be withheld in respect of the following sections have been enhanced in the manner given below if the person is not appearing in the ATL:

S. No.	Description	Prior to FA	Subsequent to FA
1	Section 151 – On yield or profit on debt	30%	35%
2	Section 236G – On the gross amount of sale to distributors, dealers or wholesalers other than sale of fertilizers	0.2%	2%
3	Section 236H - On the gross amount of sales to retailers	1%	2.5%

Moreover, tax withholding in respect of capital gains on sale of listed shares and other securities (under section 37A) has been included in the 'exception list' (Rule 10). Thus, the general provisions relating to enhanced withholding tax are no longer applicable in such cases.

SALES TAX

ASSOCIATES (ASSOCIATED PERSONS)

[Section 2(3)]

The definition of associates (associated persons) has been expanded to bring the same in line with that contained under the Ordinance. Now such expression shall have the same meaning as defined in section 85 of the Ordinance and consequently, the amended definition under the sales tax law shall include within its scope (i) the concept of 'sufficient influence'; and (ii) transactions executed with residents of 'zero taxation regime' which were earlier only contained under the Ordinance.

INPUT TAX

[Section 2(14)]

The definition of 'input tax' has been amended to empower the Board to exclude certain services, subject to provincial sales tax, from the ambit of admissibility of input tax, through issuance of notification, subject to any conditions/restrictions/limitations as may be specified.

LICENSED INTEGRATOR

[Sections 2(15A) & 40C(4) & (5)]

Earlier, electronic invoicing for certain specified sectors was made mandatory by the Board through issuance of relevant SROs and in this respect, the related enabling provisions have now been inserted in law. Moreover, the concept of 'licensed integrator' has also been introduced to the effect that only such persons shall be eligible to provide electronic invoicing system for integration of registered persons who have been licensed by the Board in this respect.

TAX FRAUD

[Section 2(37)]

The definition of 'tax fraud' provided for in the Act has been revamped by significantly enlarging its scope. The expression has now been defined to mean intentionally understating or underpaying the tax liability or overstating the entitlement to tax credit or tax refund in contravention of duties or obligations imposed under the Act by way of submission of false return, statements or false documents or withholding of correct information or documents to cause loss of tax and shall include:

- (i) suppression of supplies chargeable to tax under this Act;
- (ii) false claim of input tax credit;
- (iii) making taxable supply of goods without issuing any tax invoice, in violation of the provisions of this Act or the Rules;
- (iv) issuance of tax invoice without supply of goods leading to inadmissible claim of input tax credit or refund;
- (v) evasion of tax by availing undue input tax credit or obtaining inadmissible refund by any means/ methods other than that covered under clauses (i) to (iv);
- (vi) collection of tax but failing to deposit the same in the prescribed manner beyond a period of three months from due date;
- (vii) falsification or causing falsification of invoice or substitution of financial records or production of fake accounts or documents or furnishing of any false information through human, mechanical or electronic means with an intention to evade tax due or claim inadmissible refund;
- (viii) tampering/ destroying any material evidence/ documents required to be maintained under this Act or the Rules through human/ digital means;

- (ix) acquisition, possession, transportation, disposal or in any way removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner dealing with, any goods in respect of which there are reasons to believe that these are liable to confiscation under this Act or the Rules;
- (x) making of taxable supplies without getting registration under the Act; or
- (xi) intentional doing of any act or causing to do an act or omitting to take any action or causing the omission to take any action to cause loss of tax under this Act.

Further, by way of an explanation, it has been clarified that any act or omission mentioned in this clause shall be treated as intentional unless the person accused of tax fraud proves that he had no intention, motive, knowledge, or reason to believe that he was committing a tax fraud.

TIME OF SUPPLY **[Section 2(44)]**

Before amendment in the definition of 'time of supply' through Finance Act, 2021, sales tax was leviable at the time of earlier of 'receipt of payment' or 'delivery of goods'. Such mechanism of levy of sales tax was done away with through Finance Act, 2021 with sales tax made leviable at the time of delivery of goods. Through the FA, the position applicable prior to amendments made vide Finance Act, 2021 has now been reverted to, whereby sales tax is chargeable at the time of earlier of 'receipt of payment' or 'delivery of goods'.

These provisions have been a subject of amendment earlier also, as up till 2007 and then from 2013 to 2021, sales tax was chargeable at the earlier of delivery of goods or receipt of advance, though whilst between 2007 to 2013 sales tax was required to be charged on actual delivery of goods.

VALUE OF SUPPLY **[Section 2(46)]**

By virtue of amendments introduced vide Finance Act, 2019, 'retail price regime' was also made applicable on import of goods specified in Third Schedule. Under the provisions of section 2(46), Board is empowered to fix the 'value of supply' of any imported or local goods. By virtue of amendments introduced through the FA, such power shall also be available to Board with respect to fixation of value of imported goods specified in Third Schedule. This amendment appears to be clarificatory in nature.

LIMITATION FOR ISSUING ORDERS IN CERTAIN CASES **[Section 11B]**

Section 11B of the Act governs the procedure for issuance of assessment order etc. in consequence to directions issued by Commissioner Appeals, Appellate Tribunal, High Court or Supreme Court. The FA has harmonized such provisions to bring these in line with those contained under section 124 of the Ordinance. This amendment is apparently aimed to solidify these provisions and cover certain aspects relating to issuance of appeal effect/ remand orders that were earlier not covered in the related sales tax provisions.

BEST JUDGMENT ASSESSMENT **[Section 11D]**

The concept of 'best judgment assessment' broadly similar to that existing under the Income Tax Ordinance has now been introduced under the Sales Tax Act. In cases where (i) a person fails to furnish a sales tax return in response to a notice; and (ii) fails to produce before the tax authorities any accounts, record or documents requisitioned under section 25 or 38A of the Act, the competent officer, after issuance of a show cause notice, based on any available/ material information, may make an assessment of the tax payable/ refund of input tax to the best of his judgement including reduction/ disallowance of input tax.

Where best judgment assessment has been made for (i) above, and the person files the return within 60 days along with deposit of due tax along with default surcharge & penalty, the show notice/ assessment order shall abate. Further, the mechanism provided under the Act/ Rules for the purposes of determination of 'minimum tax liability', under the Act, in cases involving non-filing of returns shall not be affected by this amendment.

ASSESSMENT OF TAX

[Sections 11E, 11F & 11G]

Earlier, provisions relating to assessment of tax not levied/ short levied / short tax withheld etc. were covered under section 11 of the Act. Such provisions have now been revamped by bifurcating the same into three new sections (i.e., section 11E, 11F and 11G of the Act) as under:

- (i) Section 11E of the Act empowers the tax officer, not below the rank of Assistant Commissioner, to make assessment of tax along with penalty & default surcharge in cases where a person for any reason, including by way of collusion or deliberate act has:
 - (a) not paid or short paid due sales tax;
 - (b) claimed input tax credit or refund which is not admissible; or
 - (c) obtained an amount of refund not due.

This section authorizes the tax officer to disallow claim of input tax where the taxpayer fails to provide receipt or invoice or other record or evidence of the transaction giving rise to such claim. Apparently, the provisions contained in section 11(2) and (3) governing assessment in cases involving non/short payment of tax on account of inadvertence, error omission etc. have not been separately provided, for the reason that these stand covered under the expression 'for any other reason' as aforesaid.

- (ii) Section 11F of the Act enacts provisions to enable recovery proceedings, along with imposition of default surcharge & penalty, for sales tax not/short withheld or failure to deposit such tax by withholding agents. Such provisions were already part of the statute under section 11(4A) of the Act which has now been omitted.
- (iii) Section 11G of the Act governs the time period within which show cause notice under sections 11D, 11E & 11F of the Act can be issued and provides the timeframe within which such proceedings are required to be concluded. These timelines are broadly similar to the ones earlier ordained under section 11 of the Act.

DE-REGISTRATION, BLACKLISTING AND SUSPENSION OF REGISTRATION

[Section 21]

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

AUDIT OF SALES TAX AFFAIRS

[Section 25]

Through the FA, section 25 of the Act has been fully revamped. Before amendment through FA, section 25 of the Act primarily remained relevant for access to the records by the tax authorities inter-alia authorizing the officer of Inland Revenue to conduct audit on the basis of record obtained from the registered person by the Commissioner. The Constitutional Courts of the country while interpreting Section 25 of the Act have held that the case of a registered person cannot be selected for audit by the Commissioner without first obtaining record from the registered person. Prima facie, to nullify the effect of those judgements, the requirement to call for the records before selection of any case for audit has been done away with and the Commissioner has been authorized to direct an officer of Inland Revenue not below the rank of Assistant Commissioner ['audit officer'], on the basis of reasons to be recorded in writing, to carry out the audit of a registered person.

As regards the selection of a registered person for audit, the amended section further stipulates that:

- (i) The Commissioner, while intimating the registered person about selection for audit, shall also communicate the reasons for selection;
- (ii) The reasons for selection are required to be based on scrutiny of the records including sales tax and federal excise returns, income tax returns, withholding statements, financial statements or third party record;
- (iii) The basis for selection should not be merely verification of input tax, output tax, refund claim and compliance to various legal provisions without identifying the risk factors requiring such verification; and
- (iv) The Commissioner is under no legal obligation to provide an opportunity of being heard to the registered person while directing the audit officer to carry out the audit of a registered person.

As regards the conduct of the audit the amended section provides that:

- (i) The audit officer is permitted to call for any records or documents from the registered person inter-alia including the records maintained under the Act and the Rules made thereunder or maintained under any law for the time being in force;
- (ii) The audit officer is authorized to conduct the audit proceedings electronically through video link or any other facility prescribed by the Board;
- (iii) The officer is authorized to conduct or cause to conduct inquiries from third party to obtain information/ documents required for conduct of sales tax audit of a registered person; and
- (iv) No records of registered person can be requisitioned after expiry of six years from the end of the financial year to which they relate.

After carrying out the audit on the basis of documents/ information obtained from registered person or any third party, the audit officer may pass order for the assessment of tax not levied or short levied or erroneously refunded in terms of section 11E of the Act. However, in cases where the registered person fails to produce the requisitioned record/ information, the amendment made authorizes the audit officer to make a 'best judgement assessment' under section 11D added to the statute book vide FA.

The provisions relating to voluntary deposit of short paid sales tax before and during the audit proceedings and the related relief in imposition of penalty remain to be the same.

Section 25, before amendment, mandated the conduct of audit to once in a year. The amended section, however, contains no such bar on the number of times to conduct an audit.

SALES TAX RETURNS **[Section 26]**

Before the enactment of the FA, the recourse available to taxation authorities for charging and collecting sales tax pertaining to prior tax periods inter alia where sales tax returns were not filed) was assessment of sales tax not levied or short levied. Such assessment proceedings, however, could not be made for tax periods falling beyond five years of the end of the financial year in which the sales tax return was to be filed.

Through the FA, following amendments have been made:

- (i) any person who was required to file sales tax return but has failed to do so, may be required, through notice in writing, to furnish the sales tax return within the time allowed by the concerned assessing officer.
- (ii) in case of tax fraud, above notice can be issued within fifteen years from the end of the financial year in which the return was to be filed, while in all other cases, time limitation of five years has been kept.

The requirement for maintaining sales tax records under section 24 of the Act is for a period of 6 years after the end of the tax period to which such record relate or till the finalization of assessment/apellate proceedings.

PENALTY
[Section 33]

The FA has amended / enhanced penalties, and in certain cases, prosecution for offences, as under:

Sr. No. in Section 33	Offences	Previous penalties	Revised penalties
11	Any person who, – (a) submits a false or forged document to any officer of Inland revenue; or (b) destroys, alters, mutilates or falsifies the records including a sales tax invoice; or (c) Knowingly or fraudulently makes false statement, false declaration, false representation, false personification, gives any false information or issues or uses a document which is forged or false.	Such person shall pay a penalty of Rs 25,000 or 100% of amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to 3 years, or with fine which may extend to an amount equal to the amount of tax involved, or with both.	Such person shall pay a penalty of Rs 25,000 or 100% of amount of tax evaded or sought to be evaded, whichever is higher. Without prejudice to the above, he shall also be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to 5 years if the tax evaded or sought to be evaded is less than Rs 1 billion, and which may extend to 10 years if tax evaded or sought to be evaded is Rs 1 billion and above and fine which may extend to amount equal to amount of tax evaded or sought to be evaded, or with both.
12	Any person who denies or obstructs the access of an authorized officer to the business premises, registered office or to any other place where records are kept, or otherwise refuses access to the stocks, accounts or records or fails to present the same when required under section 25, 38, 38A or 40B.	Such person shall pay a penalty of Rs 25,000 or 100% of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to 5 years, or with fine which may extend to an amount equal to the loss of tax involved, or with both.	Such person shall pay a penalty of Rs 25,000 or 100% of the amount of tax involved, whichever is higher. Without prejudice to above, he shall also be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to 5 years, or with fine which may extend to an amount equal to amount of tax evaded or sought to be evaded, or with both.
13	Any person who commits, causes to commit or attempts to commit the tax fraud, or abets or connives in commissioning of tax fraud.	Such person shall pay a penalty of Rs 25,000 or 100% of amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to 5 years, or with fine which may extend to an amount equal to the loss of tax involved, or with both.	(a) The person who commits, causes to commit or attempts to commit the tax fraud shall pay a penalty of Rs 25,000 or 100% of the amount of tax evaded or sought to be evaded, whichever is higher. Without prejudice to the above, he shall also be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to 5 years if the tax evaded or sought to be evaded is less than 1 billion rupees, and which may extend to ten years if the tax evaded or sought to be evaded is 1 billion rupees and above, and fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded, or with both; and (b) The person who abets or connives in commissioning of tax fraud shall be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to 5 years if the tax evaded or sought to be evaded is less than 1 billion rupees, and which may extend to 10 years if the tax evaded or sought to be evaded is 1 billion rupees and above, and with fine which may extend to amount equal to amount of tax evaded or sought to be evaded or with both.

Sr. No. in Section 33	Offences	Previous penalties	Revised penalties
14	Where any person violates any embargo placed on removal of goods in connection with recovery of tax.	Such person shall pay a penalty of Rs 25,000 or 10% of amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to 1 year, or with fine which may extend to amount equal to amount of tax involved, or with both.	Such person shall pay a penalty of Rs 25,000 or 10% of amount of tax involved, whichever is higher. Without prejudice to above, he shall also be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to 1 year, or with fine which may extend to amount equal to amount of tax evaded or sought to be evaded, or with both.
18	Where any officer of Inland Revenue authorized to act under this Act, acts or omits or attempts to act or omit in a manner causing loss to the sales tax revenue or otherwise abets or connives in any such act.	Such officer of Inland Revenue shall be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to 3 years, or with fine which may extend to amount equal to the amount of tax involved, or with both.	Such officer of Inland Revenue shall be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to 3 years, or with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded, or with both.
22	Any person who,- (a) knowingly and without lawful authority gains access to or attempts to gain access to the computerized system; or (b) unauthorizedly uses or discloses or publishes or otherwise disseminates information obtained from the computerized system; or (c) falsifies any record or information stored in the computerized system; or (d) knowingly or dishonestly damages or impairs the computerized system; or (e) knowingly or dishonestly damages or impairs any duplicate tape or disc or other medium on which any information obtained from the computerized system is kept or stored; or (f) unauthorizedly uses unique user identifier of any other registered user to authenticate a transmission of information to the computerized system; or (g) fails to comply with or contravenes any of the conditions prescribed for security of unique user identifier.	Such person shall pay a penalty of Rs 25,000 or 100% of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by the Special Judge, to imprisonment for a term which may extend to 1 year, or with fine which may extend to an amount equal to the loss of tax involved, or with both.	Such person shall pay a penalty of Rs 25,000 or 100% of the amount of tax involved, whichever is higher. Without prejudice to above, he shall also be liable, upon conviction by the Special Judge, to imprisonment for a term which may extend to 1 year, or with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded, or with both.
23	Any person who manufactures, possesses, transports, distributes, stores or sells goods or class of goods as specified by the Board under subsection (1) of section 40C with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax stamps, banderoles, stickers, labels or barcodes.	(i) Such specified goods shall be liable to outright confiscation. Any person committing the offence shall pay a penalty of Rs 25,000 or 100% of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to 3 years, or with additional fine which may extend to an amount equal to the loss of tax involved, or with both. (iii) In case of repeat sale of specified goods without or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the premises used for such sale be sealed for a period not exceeding 15 days.	(i) Such specified goods shall be liable to outright confiscation as may be prescribed. Any person committing the offence shall pay a penalty of Rs 25,000 or 100% of the amount of tax involved, whichever is higher. Without prejudice to above, he shall also be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to 3 years, or with additional fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded, or with both. (iii) In case of repeat sale of specified goods without or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the premises used for such sale shall be liable to be sealed by an officer of Inland Revenue in the manner as may be prescribed.

Sr. No. in Section 33	Offences	Previous penalties	Revised penalties
24	Any person, who is integrated for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number or barcode or QR code or bears duplicate invoice number or counterfeit barcode, or QR code or defaces the prescribed invoice number of barcode or QR code or any person who abets commissioning of such offence.	Such person shall pay a penalty of five hundred thousand rupees or two hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to two years, or with additional fine which may extend to two million rupees, or with both. Notwithstanding above, the business premises of such person shall be liable to be sealed by an officer of Inland Revenue in the manner prescribed. Any person who abets commissioning of such offence, shall be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to 1 year, or with additional fine which may extend to Rs 200,000, or with both.	Such person shall pay a penalty of five hundred thousand rupees or two hundred per cent of the amount of tax involved, whichever is higher. Without prejudice to above, he shall also be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to two years, or with additional fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded. Notwithstanding above, the business premises of such person shall be liable to be sealed by an officer of Inland Revenue in the manner prescribed. Any person who abets commissioning of such offence, shall be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to 1 year, or with additional fine which may extend to Rs 200,000, or with both.
25	Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required under law.	Such person shall be liable to pay a penalty up to Rs 1 million, and if continues to commit the same offence after a period of 2 months after imposition of penalty as aforesaid, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under section 40C.	Such person shall be liable to pay a penalty up to Rs 1 million, and if continues to commit the same offence after a period of 2 months after imposition of penalty as aforesaid, his business premises shall be liable to be sealed by an officer of Inland Revenue in the manner as may be prescribed.
25A	A person required to integrate his business as stipulated under subsection (9A) of section 3 or subsection (4) of section 40C, who fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required under the law and rules made thereunder.	Such person shall be liable to pay: (i) penalty of five hundred thousand rupees for first default; (ii) penalty of one million rupees for second default after fifteen days of order for first default; (iii) penalty of two million rupees for third default after fifteen days of order for second default; (iv) penalty of three million rupees for fourth default after fifteen days of order for third default; Notwithstanding above, the business premises of such person shall be liable to be sealed by an officer of Inland Revenue in the manner prescribed: Provided that if the retailer integrates his business with the Board's Computerized System before imposition of penalty for second default, penalty for first default shall be waived by the Commissioner.	Such person shall be liable to pay: (i) penalty of five hundred thousand rupees for first default; (ii) penalty of one million rupees for second default after fifteen days of order for first default; (iii) penalty of two million rupees for third default after fifteen days of order for second default; (iv) penalty of three million rupees for fourth default after fifteen days of order for third default; Notwithstanding above, the business premises of such person shall be liable to be sealed by an officer of Inland Revenue in the manner prescribed: Provided that if the retailer integrates his business with the Board's Computerized System before imposition of penalty for second default, penalty for first default shall be waived by the Commissioner.
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.	N/A	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.

PAYMENT THROUGH BANKING CHANNELS
[Section 73]

Prior to the FA, provisions of section 73 of the Act specified that payment of the amount of any transaction exceeding Rs 50,000 was to be made through proper banking channel. In case such provisions were not complied with, the buyer was not entitled to claim adjustment of input tax credit, refund, repayment or draw back or zero rating of tax under the Act.

Now, such limit of Rs 50,000 is to be considered in aggregate for a single supplier in a tax period.

THIRD SCHEDULE

(Sr. # 51)

Supply of DAP was earlier subject to sales tax at the rate of 5% ad valorem. Through the FA, sales tax is made leviable on such supply on the basis of 'retail price'.

FIFTH SCHEDULE READ WITH EIGHTH SCHEDULE

Following goods were previously subject to sales tax at the rate of zero *per cent*:

- Preparations suitable for infants, put up for retail sale not exceeding rupees six hundred per two hundred grams (PCT Heading 1901.1000), and related raw materials, packing materials, sub-components, components, sub-assemblies and assemblies imported or purchased locally for manufacturing thereof – Sr. # 12(xvii);
- Milk (PCT heading 04.01) – Sr. # 16;
- Fat filled milk (PCT heading 1901.9090) – Sr. # 17; and
- Local supplies of commodities, raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 – Sr. # 21.

Through the FA, the benefit of zero rating in respect of above goods is done away with. In consequence thereof, supply of above goods is now subject to sales tax at the rate of 18%, with the exception of milk (other than that sold under a brand name or supplied by corporate dairy farms) which has been made exempt from levy of sales tax.

Furthermore, following goods as well as raw materials, packing materials, sub-components, components, sub-assemblies and assemblies imported or purchased locally for manufacturing thereof were covered under zero-rated regime of sales tax in terms of Sr. # 12 of the Fifth Schedule:

- Colors in sets (PCT heading 3213.1000);
- Writing, drawing and making ink (PCT heading. 3215.9010 and 3215.9090);
- Erasers (PCT heading 4016.9210 and 4016.9290);
- Pencil sharpeners (PCT heading 8214.1000);
- Other drawing, marking out or mathematical calculating instruments (geometry box) (PCT heading 9017.2000);
- Pens, ball pens, markers and porous tipped pens (PCT heading 96.08); and
- Pencils including color pencils (PCT heading 96.09)

Additionally, import or supply of above-mentioned finished goods was also exempt from sales tax respectively in terms of Sr. Nos. 86, 87, 88, 90, 96, 97 and 98 of Table I of the Sixth Schedule.

Through the FA, sales tax exemptions and zero-rating provided for in respect of such goods and related raw materials, components etc. are withdrawn and supply of such finished articles is made subject to sales tax at a reduced rate of 10% under the relevant entries introduced in the Eighth Schedule.

SIXTH SCHEDULE READ WITH EIGHTH SCHEDULE

Through the FA, in addition to exemption on local supply of milk (neither sold under a brand name nor supplied by corporate dairy farms), following imports and supplies are also exempted from sales tax:

Description	Reference		Heading
	Table	Sr. No.	
Import of all goods received, in the event of a natural disaster or other catastrophe, as gifts and relief consignments or any goods received as gift or donation from a foreign government or organization by the Federal or Provincial Governments or any public sector organization. [Such goods were earlier exempt from sales tax by virtue of SRO 1635(I)/2022 dated August 30, 2022, which has now been rescinded vide SRO 923(I)/2024 dated June 29, 2024] Subject to the recommendations of the Minister Incharge and concurrence by the Federal Board of Revenue subject to condition that the concerned Ministry shall verify the genuineness of such cases and furnish an undertaking to the effect that donated goods shall not be sold, utilized or disposed of otherwise than for the purpose for which the same have been imported.	I	175	9018(i) 9911
Import or supply of POL products: (i) MS (Petrol) (ii) High Speed Diesel Oil (iii) Kerosene (iv) Light Diesel Oil [earlier the same were subject to zero percent vide SRO 321(I)/2022 dated March 1, 2022 which has now been rescinded vide SRO 923(I)/2024 dated June 29, 2024]	I	176	2710.1210 2710.1931 2710.1911 2710.1921
Supply of electricity to Azad Jammu and Kashmir	I	177	Respective headings
Import of gold under entrustment scheme under SRO 760(I)/2013	I	178	Respective headings
Import of cystagon, cysta drops and trientine capsules (for personal use only)	I	179	3004.9099
Import or supply of Bovine semen	I	180	0511.1000
Local supply of iron and steel scrap excluding supplied by manufacturer-cum-exporter of recycled copper, authorized under Export Facilitation Scheme, 2021.	II	57	7204.4100 7204.3000 7204.4990

Withdrawal of exemption

Through the FA, sales tax exemption earlier available in respect of import and supply of following goods is withdrawn:

- Edible vegetables imported from Afghanistan including roots and tubers, except ware potato and onions, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned – *Sr. # 13 of Table I*; and
- Fruit imported from Afghanistan excluding apples (PCT 0808.1000) – *Sr. # 15 of Table I* [earlier the same were made exempt vide SRO 1501(I)/2021 dated November 22, 2021 which has now been rescinded vide SRO 923(I)/2024 dated June 29, 2024]
- Diagnostic kits or equipment – *Sr. # 120 of Table I*; and
- Machinery & equipment as listed at serial number 32 of the table of Part I of Fifth Schedule to the Customs Act, 1969 – *Sr. # 174 of Table I*.

In addition to above, following goods earlier exempt from sales are now subjected to sales tax at a reduced rate of 10%:

- Import or supply of Oil cake and other solid residues – *Sr. # 169 of Table I*;
- Import or supply of tractor – *Sr. # 170 of Table I*;
- 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 – *Sr. # 7 of Table II*; and
- Local supply of poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal – *Sr. # 21 of Table II*.

EXEMPTIONS RELATING TO ERSTWHILE TRIBAL AREAS
(Sr. # 151 & 152 of Table I)

Through the FA, sales tax exemption, earlier available up till June 30, 2024, in respect of following supplies and imports has been extended till June 30, 2025:

- (i) Supplies meant for consumption in tribal areas;
- (ii) Import of plant, machinery, equipment for installation in tribal areas;
- (iii) Import of industrial inputs by the industries located in tribal areas;
- (iv) Supplies of electricity to all residential and commercial consumers in tribal areas; and
- (v) Supplies of electricity to such industries (excluding steel and ghee or cooking oil industries) in the tribal areas which were set up and started their industrial production before March 31, 2018.

EIGHTH SCHEDULE

Sales tax was earlier chargeable in respect of following goods at a reduced rate:

Description	Previous rate of sales tax
LPG (import thereof and local supplies of such imported LPG) – Sr. # 58	10%
Supplies of textile and leather products as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales – Sr. # 66	15%

Through the FA, the tabulated goods are made subject to sales tax at standard rate of 18%.

Furthermore, reduced rate of sales tax earlier provided under Sr. No. 77 of the Eighth Schedule in respect of imported personal computers, laptop computers and notebooks (whether or not incorporating multimedia kit) has been enhanced from 5% to 10%.

Hybrid electric vehicle
(Sr. # 73)

Through the FA, it has been provided that reduced rate of sales tax specified in respect of locally manufactured hybrid electric vehicles would remain applicable up till June 30, 2026.

Pharma sector
(Sr. # 81)

Medicaments as are classifiable under Chapter 30 of the First Schedule to Customs Act, 1969, with certain exceptions, are subject to sales tax at a reduced rate of 1%.

Through the FA, reduced rate of sales tax on such medicaments has been withdrawn and as a result, these are now chargeable to sales tax at standard rate of 18% with input / output adjustment.

NINTH SCHEDULE

(Table II)

Through the FA, rate of sales tax on supply of cellular mobile phones or satellite phones is enhanced. Details regarding previous and amended rates are tabulated below:

Previous Rates

Description / Specification of Goods	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs)	Sales tax on import in CKD/SKD condition	Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4)
Not exceeding US\$ 30 (excluding smart phones)	Rs. 130	Rs. 10	Rs. 10
Not exceeding US\$ 30 (smart phones)	Rs. 200	Rs. 10	Rs. 10
Exceeding US\$ 30 but not exceeding US\$ 100	Rs. 200	Rs. 10	Rs. 10
Exceeding US\$ 100 but not exceeding US\$ 200	Rs. 1,680	Rs. 10	Rs. 10
Exceeding US\$ 200 but not exceeding US\$ 350	18% ad valorem	Rs. 1,740	Rs. 10
Exceeding US\$ 350 but not exceeding US\$ 500	18% ad valorem	Rs. 5,400	Rs. 10
Exceeding US\$ 500	25% ad valorem	Rs. 9,270	Rs. 10

Amended Rates

Description / Specification of Goods	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs)	Sales tax on import in CKD/SKD condition	Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4)
Not exceeding US\$ 500	18% ad valorem	18% ad valorem	18% ad valorem
Exceeding US\$ 500	25% ad valorem	18% ad valorem	18% ad valorem

In addition to above, through the FA, adjustment of input tax incurred by purchaser and importer is now allowed, in respect of mobile phones and related input goods, against the sales tax payable under this schedule.

ELEVENTH SCHEDULE

Rate of sales tax to be withheld by the registered manufacturer of lead batteries buying lead/ scrap batteries is enhanced from 75% to 80% - Sr. # 7.

Further, sales tax is now required to be withheld on following items at 80% of applicable sales tax:

Sr. No. of the Table	Withholding agent	Supplier category
9	Registered persons manufacturing cement	Persons supplying any kind of gypsum under chapter 25 or limestone flux under chapter 25
10	Registered Persons	Persons supplying any kind of coal under Chapter 27
11	Registered Persons	Persons supplying any kind of waste of paper and paper Board
12	Registered Persons	Persons supplying any kind of plastic waste
13	Registered persons	Persons supplying crush stone and silica

Earlier, sales tax withholding was not applicable on supplies made by an active taxpayer as defined in the Act, except for advertisement services. Through the FA, sales tax withholding has been made applicable on following supplies from active taxpayers to another registered person:

- (i) advertisement services;
- (ii) supply of lead batteries;
- (iii) supply of any kind of gypsum;
- (iv) supply of coal;
- (v) supply of waste paper and paper board;
- (vi) supply of any kind of plastic waste; and
- (vii) supply of crush stone and silica.

FEDERAL EXCISE DUTY

OFFENCES AND PENALTIES [Section 19 of the FED Act]

A fine has been introduced on a person who installs or removes plant and machinery having value of Rs. 50 million and above without prior permission of Commissioner. The fine may extend to Rs 50,000 or five times of the duty involved whichever is higher and imprisonment which may extend to five year or both.

Tax authorities have been empowered to seal the retail outlet of a retailer selling cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes in a manner as may be prescribed.

FIRST SCHEDULE [Table I: Dutiable Goods]

NEW ENTRIES

FED has been imposed on the following:

S. No	Description	HS Code	Rate of Duty
7a.	Acetate tow	Respective Heading	Rupees forty-four thousand per kg
8d.	Nicotine pouches	Respective Heading	Rupees one thousand and two hundred per kg
63.	Lubricating oil	2710.1951, 2710.1952, and 2710.1953	Five percent ad valorem

ENHANCEMENT OF FED RATES

Rate of FED has been enhanced on the following dutiable goods as tabulated below:

S. No	Description	HS Code	Previous rate of FED	Revised rate of FED
8a.	E-liquids by whatsoever name called, for electric cigarette kits	Respective heading	Rupees ten thousand per kg	Rupees ten thousand per kg or sixty five percent of retail price whichever is higher
13.	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers	25.23	two rupees per kilogram	Four rupees per Kilogram
56.	Filter rod for cigarettes	Respective heading	Rupees fifteen hundred per kg	Rupees eighty thousand per kg

INCREASE IN RETAIL PRICE OF CIGARETTES

Retail price for different tiers of cigarettes manufactured in Pakistan has been increased as tabulated below, resulting in retaining different brands in the same tiers despite price increase due to inflationary factors:

S. No	Rates of Duty	Previous Description	Revised Description
9.	Rs 16,500 per 1,000 cigarettes	Locally produced cigarettes if their on pack printed retail price exceeds Rs 9,000 per 1,000 cigarettes	Locally produced cigarettes if their on-pack printed retail price exceeds Rs 12,500 per 1,000 cigarettes
10.	Rs 5,050 per 1,000 cigarettes	Locally produced cigarettes if their on pack printed retail price does not exceed Rs 9,000 per 1,000 cigarettes	Locally produced cigarettes if their on-pack printed retail price does not exceed Rs 12,500 per 1,000 cigarettes

RESTRICTION ON NEW CIGARETTES BRAND VARIANT

To avoid ambiguity in the definition of brand variant under the FE Act, an explanation has been inserted to the effect that brand variant means any cigarette brand with similar logo, name, colour, design, pattern or any unique distinguishing mark associated with the existing brand family.

MINIMUM PRICE RESTRICTION ON CIGARETTES BRAND

Minimum price restriction has been reduced from sixty percent of the retail price to fifty five percent of the retail price as given at Serial No 9 of Table 1 of the First Schedule.

FIRST SCHEDULE

[Table II: Excisable Services]

INCREASE IN FED ON INTERNATIONAL AIR TRAVEL

FED has been increased on services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan as under:

S. No	Categories	Issued before July 1, 2024	Issued on or after July 1, 2024
3.	Economy and economy plus air tickets	Rs. 5,000	Rs. 12,500
	Club, business and first class air tickets		
	(a) IATA Traffic Conference Area 1 (North, Central, South America and Environs)	Rs. 250,000	Rs. 350,000
	(b) IATA Traffic Conference Area 2 (I) Middle East and Africa	Rs. 75,000	Rs. 105,000
	(II) Europe	Rs. 150,000	Rs. 210,000
	(c) IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands)	Rs. 150,000	Rs. 210,000

FIRST SCHEDULE

[Table III: Excisable items other than those mentioned under Tables I and II]

A new Table III has been introduced to align the chargeability of FED on any item not covered by import / manufacturing of excisable goods or rendering of excisable services.

In the newly inserted Table III, FED has been levied on allotment / transfer of immovable property and supply of sugar as under:

S. No.	Description of Items	Heading / sub-heading Number	Rate of Duty
1.	Allotment or transfer of commercial property and first allotment or first transfer of open plots or residential property by any developer or builder in such mode and manner and subject to such conditions and restrictions as may be prescribed by the Board	Respective headings	(i) 3% of gross amount of consideration involved where the buyer is appearing on active taxpayer list maintained under section 181A of the Income Tax Ordinance, 2001 on the date of acquisition of property; (ii) 5% of gross amount of consideration involved where the buyer has not filed the income tax return by due date as specified in proviso to Rule 1A of Tenth Schedule to the Income Tax Ordinance, 2001; and (iii) 7% of gross amount of consideration involved where the buyer is not appearing on active taxpayer list maintained under section 181A of the Income Tax Ordinance, 2001 on the date of acquisition of property.
2.	"Supply of white crystalline sugar by any person to a manufacturing, processing or packaging entity."	Respective heading	Rupees fifteen per kg."

THIRD SCHEDULE**[Table I: Conditional Exemption]**

Imports of following goods 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 have been exempted.

PCT Heading	Description
99.01	Goods imported by various agencies of the United Nations under the United Nations (Privileges and Immunities) Act, 1948, as certified by the Ministry of Foreign Affairs.
99.02	Goods imported by diplomats/embassies/ consulates under the Diplomatic and Consular Privileges Act, 1972 as certified by the Ministry of Foreign Affairs.
99.05	Household articles and personal effects including vehicles and goods for donation to projects established in Pakistan, imported by the rulers and dignitaries of UAE, Qatar and Bahrain subject to specified conditions.

CUSTOMS DUTY

ESTABLISHMENT OF DIRECTORATES **[Section 3CCD & 3CCE]**

The Directorate General of National Targeting Centre (NTC) and the Directorate General of Trade Based Money Laundering (TBML) have been established.

DELEGATION OF POWERS **[Section 5(1)]**

The Board may delegate any of its functions and powers to the Chairman or empower by name or designation:

- (a) any Member or Director General to exercise the powers of the Board or Chairman;
- (b) any Collector of Customs to exercise any of the powers of a Chief Collector of Customs under this Act.

ENTRUSTMENT OF FUNCTIONS OF CUSTOMS OFFICERS **[Section 6]**

Through the FA 2024, the functions of the customs officers have been entrusted to the officers of the National Command Authority and Pakistan Nuclear Regulatory Authority ('PNRA') for the purpose of implementation and enforcement of the Customs Act, 1969.

ASSISTANCE TO THE CUSTOMS OFFICERS **[Section 7]**

The Intelligence Bureau (IB) has now been added in the list of Government agencies empowered to assist Customs officers in discharge of their functions.

VALIDATION OF EXEMPTION NOTIFICATIONS **[Section 19(5)]**

The validity of exemption notifications issued on or after July 1, 2016 (that were placed for ratification before the National Assembly) has been extended from June 30, 2024, to next fiscal year i.e. up to June 30, 2025.

PROVISIONAL DETERMINATION OF LIABILITY **[Section 81(1)]**

Earlier, the provisional determination of value was not allowed in cases where a Valuation Ruling (VR) issued under section 25A was in field irrespective of the fact whether any review / revision against such VR was pending. The FA 2024 has now extended this restriction to situations where "Publication Valuation Ruling (PVR)" is in field.

PUNISHMENT FOR OFFENCES **[Section 156]**

Smuggling of nuclear and radioactive material: **[Serial No. 8]**

To prevent smuggling of nuclear and radioactive material, significant punishments have been introduced. These include confiscation of smuggled goods and, in case of break of national security, imprisonment ranging from seven years to life and fines from 1 to 5 million rupees.

For nuclear material, the punishment depends upon its quantity and form as defined in the regulation on Physical Protection of Nuclear Material and Nuclear Installations – (PAK/925), while for radioactive material, it depends on the activity-to-dangerous value ratio as defined in the regulations on Security of Radioactive Sources - (PAK/926) or any amendment therein determined by PNRA.

***Obstruction/hindrance in the discharge of duty or exercise of power:
[Serial No. 85]***

Earlier, a fine of Rs 25,000 together with imprisonment up to two years was applicable on a person who obstructed or hindered in the discharge of any duty or exercise of power including falsely accusing, implicating, threatening, molesting, assaulting an official of customs, impeding the search of anything, damaged anything liable to confiscation or prevented the detention of someone. This fine is now enhanced to Rs 100,000 or more.

***Illegally removed, exchanged, pilfered or disposed goods:
[Serial No. 89 and 90]***

Following penalties have been introduced

- a person who holds or is in-charge of '**smuggled goods**' that are liable for confiscation and seizure, is found removing them illegally, exchanging, pilfering or disposing them of in any manner, such person shall be liable to a penalty not exceeding **ten times** the value of goods. The person upon conviction shall also be liable to imprisonment up to six years or to a fine not exceeding 10 million rupees or both.
- a person who holds or is in-charge of '**goods other than smuggled goods**' that are liable for confiscation and seizure, is found removing them illegally, exchanging, pilfering or disposing them of in any manner, such person shall be liable to a penalty not exceeding **two times** the value of goods. The person upon conviction shall also be liable to imprisonment up to six months or to a fine not exceeding 50 thousand rupees or both.

APPEALS & REVISIONS

To streamline the procedure in appeals in line with the amendments introduced under the Income Tax, Sales Tax and Federal Excise laws through the Tax Laws (Amendment) Act, 2024, the FA 2024 has introduced the following changes:

***Appellate Tribunal
[Section 194 & 194C]***

The members of the Appellate Tribunal are to be appointed by the Federal Government (earlier by the Prime Minister). The Federal Government may also prescribe rules of procedure for the Appellate Tribunal including constitution of benches, case management system, and distribution of cases.

The FA 2024 has revised the eligibility criteria for the appointment of technical and judicial members of the Tribunal. The new criteria is as under:

- a) 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;
- b) An officer of the Customs Service of Pakistan in BS-21 or above; or
- c) An officer of the Customs Service of Pakistan in BS-20, having served in such grade for three years or more.

The Chairman of the Appellate Tribunal (possessing qualification referred in (a) above) shall be appointed by the Federal Government for a period of three years. Members (including the Chairman) shall cease to hold office on attaining the age of 62 years or the age of superannuation where applicable.

Appeals to the Appellate Tribunal [Sections 194A & 194B]

Previously, appeals before the Appellate Tribunal could be filed within 60 days from the communication date of the order, accompanied by a fee of Rs 1,000. To expedite this process, the FA 2024 has now reduced the appeal filing timeframe to 30 days and has revised the appeal fee structure. Now, company filing appeal will incur a fee of Rs 20,000 while others will be subject to a fee of Rs 5,000.

The FA 2024 has reduced the maximum duration for which a stay granted by the Appellate Tribunal can remain in effect. Previously, stays could remain operative for 180 days. Under FA 2024, this period has been shortened to 90 days, unless withdrawn earlier or upon appeal disposal.

Further, an appeal against the order passed by the Director General Customs Valuation under section 25D shall now be heard by a special bench (to be constituted by the Chairman) comprising at least two members, one Judicial Member and one technical Member.

Previously, appeals (excluding those related to smuggling) were required to be decided within 60 days of filing the appeal or within such extended period as the Tribunal may fix for reasons to be recorded in writing. For smuggling cases, the timeframe was 30 days. The FA 2024 has now established a standard 90-day timeframe for all appeals, with the possibility of a further 60-day extension requiring the consent of both parties and for reasons to be recorded in writing. Further, the Tribunal shall now decide the appeal on the dates fixed and no adjournment shall be granted except where there are compelling reasons to be recorded in writing and upon payment of such cost (not less than Rs 50,000) as the Tribunal may deem fit.

The order of the Appellate Tribunal shall remain pending for 30 days if the Collector or other party to the appeal prefers a reference to the High Court within this period.

For rectifying clerical or arithmetical errors, or errors arising from accidental omissions apparent from the record, the timeframe has been drastically reduced from 1 year to a mere 15 days from the date the order of the Tribunal is communicated.

Alternative Dispute Resolution [Section 195C]

The application for Alternate Dispute Resolution (ADR) shall now be accompanied by an initial proposition for dispute resolution by the applicant, including an offer of payment of duties and taxes.

Earlier, Alternative Dispute Resolution (ADR) was not available in situations where first information report (FIR) was lodged. Through FA 2024, the said restriction has been removed to allow ADR even if FIR has been lodged as long as criminal proceedings have not been initiated.

The FA 2024 has reduced the timeframe for the Board to appoint a committee from 30 days of receipt of the application to 15 days. Previously, a Customs officer not below the rank of Chief Collector, regardless of their jurisdictional relevance to the case, could be included in the committee. FA 2024 requires that the appointed officer (not below the rank of Chief Collector) shall be the one having jurisdiction over the specific case under consideration.

Earlier, the committee included a member nominated by the applicant from a panel notified by the Board which comprised experienced chartered accountants, advocates and reputable businessmen (nominated by Chambers of Commerce and Industry). Now the notified panel would also include officer of Customs Service who stood retired in BS 21 or above as well as experienced cost and management accountants. The appointment order of the committee shall now be communicated by the Board to the aggrieved person.

Earlier, the committee was required to decide the dispute within 90 days of its constitution. To expedite dispute resolution, this period has been shortened to 45 days (extendable by another 15 days for the reason to be recorded in writing).

The aggrieved person, if satisfied with the committee's decision, is required to withdraw the pending appeal and communicate the withdrawal to the Collector within 60 days, failing which the order shall not be binding on the Collector. The said period has been reduced to 30 days.

***Reference to High Court
[Section 196]***

A reference before the High Court could earlier be filed on a question of law within 90 days from the communication date of the order. To expedite this process, the FA 2024 has now reduced the said timeframe to 30 days. Furthermore, the FA 2024 has expanded the scope of reference applications to encompass not only pure question of law but also mixed question of law and fact arising from Appellate Tribunal's order. Fee for filing reference application has been increased from Rs 100 to Rs 50,000.

The FA 2024 grants a 15-day grace period following the communication of the order of Appellate Tribunal. During this period, the Collector shall not recover any applicable duty.

The applicant is now also required to file a complete record of the Appellate Tribunal within 15 days of preferring a reference application.

FIRST SCHEDULE TO THE CUSTOMS ACT

Customs duty on the following items has been rationalized as under:

PCT code	Description	Old rate (%)	Revised rate (%)
2710.1931	High speed diesel oil	10*	0
2711.1100	Natural gas	5*	0
7311.0040	Containers for aerosol products	11	16
8413.7019	Other parts of Submersible pumps having diameters other than 5 to 10 inches	3	0
9004.9090	Other Spectacles, goggles and the like corrective, protective	3	11
9018.3989	Other Syringes, needles, catheters, cannulae	0	20
9004.9010	Night vision goggles	3	11
9018.3981	Blood collection tube of glass	0	20
9018.3982	Blood collection tube of PET	0	20
*as per Fifth Schedule			

Zero Rating

Following changes have been made with respect to items subject to zero-rating:

- The benefit of zero-rating on the import of Ship bunker oil by the Concession holder at Gwadar port, has been extended to their operating companies, contractors and sub-contractors, subject to certain conditions.
- Zero-rating has been provided for reimportation of duty-paid containers used for transportation of export cargo.
- Zero-rating previously available on import of medical herbs (including heing and zeera) from Afghanistan for subsequent export has been withdrawn.

Other amendments

- The exemption from customs duty prescribed for gifts / donations received by the federal / provincial / public sector organization, shall be allowed only on verifications / undertaking from the concerned ministry as to the genuineness of such cases and utilization of goods for the intended purpose.
- Chief Collector of Customs has been empowered to extend the time limit for re-export of goods imported temporarily in Pakistan with a view to subsequent exportation.

FIFTH SCHEDULE (CONCESSIONS/ EXEMPTIONS)

New Exemptions

Customs duty on import of the following has been exempted subject to prescribed conditions:

- Machinery and equipment including raw materials (parts) for the manufacture of PV modules / solar inverters / lithium ion batteries subject to certain conditions and quota determination / approvals.
- Drug named "Bovine Lipid Extract Surfactant" by Pharma sector.
- Livestock for research purposes.
- Certain machinery and equipment for fish or shrimp farming and seafood processing.
- Live (baby / brood stocks) fish and shrimp/prawns for breeding and production in commercial farms and hatcheries.

Withdrawal of exemption / concession

Exemptions / concessions allowed for the following goods have been withdrawn:

- (i) Cane sugar
- (ii) Wheat
- (iii) Beet sugar
- (iv) White Crystalline beet sugar
- (v) White Crystalline cane sugar
- (vi) Printed Circuits
- (vii) Concessionary rate of 10% on fresh and dry fruits except apples from Afghanistan
- (viii) Concessionary rate of 25% on electric vehicles (4 wheelers) with value exceeding USD 50,000.

Increase in Customs Duty

Import of the following goods is now subject to concessionary customs duty rates, replacing the previously applicable exemption:

PCT code	Description	Old rate (%)	Revised rate (%)
8534.0000	Bare Metal Clad Printed Circuit Board for manufacturing LED lights/bulbs	0	11
8529.9090	Glass board for manufacturing TV panels (LCD, LED, OLED, HDI etc.)	0	10

CUSTOMS SROs

REGULATORY DUTY (RD)

[SRO 928(I)/2024 dated June 30, 2024]

RD has been levied/increased on certain items falling under the following broader categories:

- Petroleum products (high speed diesel; liquified natural gas)
- Chemical products
- Textile materials (including turf)
- Glass and glassware products
- Iron and non-alloy steel
- Articles of iron or steels
- Valves for tyres and tubes
- Ball or roller bearings
- Tungsten filament incandescent bulb
- Old and used cars, jeeps, utility vehicles exceeding 1300cc

Additionally, RD has been reduced on the following items:

- Disodium carbonate
- Motor vehicles principally designed for the transport of persons

RD Exemptions

Exemption from RD on the import of the following items has been withdrawn:

- Import for Export Processing Zone;
- Import under Duty and Tax Remission for exports (DTRE)
- Import under Small and Medium Enterprises and Export Oriented Units Rules, 2008
- Silver cans and lollipop sticks
- Ground nuts of PCT 1202.4200
- Other margarine and related products of PCT 1517.9000 for food and confectionary industry
- Articles of glass of PCT 7020.0090
- Glass board for manufacturing TV panels

RD on Export of Specified Goods

[SRO 645(I)/2018 dated May 24, 2018 amended vide

SRO 931(I)/2024 dated June 30, 2024]

SRO 645(I)/2018 provides for levy of RD on export of specified goods. However, an exemption is available from the levy of RD if certain specified items are produced from material imported under the facility of DTRE or the manufacturing bonds scheme or Export Facilitation Scheme, 2021. The said exemption has now been extended to goods produced from materials imported under the Export Processing Zones Scheme as licensed under Customs Rules, 2001.

ADDITIONAL CUSTOMS DUTY (ACD)

ACD on Vehicle Components

[SRO 693(I)/2006 dated July 1, 2006 amended vide

SRO 930 (I)2024 dated June 30, 2024]

The scope of ACD on components of motor cars / vehicles levied SRO 693(I)/2006 has been broadened through SRO 930(I)/2024. ACD is now levied on new pneumatic tyres of rubber and speakers while different variants of items such as radiators, headlights, axles, mud flaps and garnishes etc. have also been brought under the scope of ACD.

ACD Exemptions

[SRO 929 (I)2024 dated June 30, 2024, issued in suppression of SRO 967(I)/2022 dated June 30, 2022]

Exemption from ACD on the import of the following items has been withdrawn:

- Goods falling under the tariff slabs of 0%
- Imports for Export Processing Zone or imports under Duty and Tax Remission for exports
- Import under Small and Medium Enterprises and Export Oriented Units Rules, 2008
- Import of specified items from the Islamic Republic of Afghanistan

Additionally, import of the following items has been exempted from the levy of ACD:

- Motor spirit (PCT 2710.1210)
- High speed diesel oil (PCT 2710.1931)
- Liquified natural gas (PCT 2711.1100)
- LPG (PCT 2711.1910)
- Cotton (PCT 52.01 & 52.02)
- Solar panels (PCT 8541.4100 & 8541.4200)
- Elastomeric yarn (PCT 5402.4410 & 5402.4490)

EXEMPTION NOTIFICATIONS RESCINDED / AMENDED

The following exemptions have been withdrawn by way of rescinding/amending the relevant SROs:

- Exemption from customs duty, earlier allowed for a period of 40 years, for materials and equipments imported for Construction and Operation of Gwadar Port and development of Free Zone for Gwadar Port and Ship Bunker Oils sold to the ships calling on/visiting Gwadar Port. *[SRO 327(I)/2007 dated April 18, 2007 rescinded vide 933(I)/2024 dated June 28, 2024]*
- Exemption from customs duty and sales tax on capital equipment (plant, machinery, equipment and accessories) not manufactured locally, imported for establishment and development of projects in the Special Industrial and Economic Zones. *[SRO 41(I)/2009 dated January 19, 2009 rescinded vide SRO 934(I)2024 dated June 28, 2024]*
- Exemption from customs duty, sales tax and withholding tax on import of Hybrid Electric Vehicles. *[SRO 935(I)2024 dated June 30, 2024 rescinded vide SRO 499(I)/2013 dated June 12, 2013]*
- Exemption from the customs duty and sales tax on temporary importation of certain goods for subsequent exportation for exporters (registered as manufacturers) availing Export Facilitation Scheme. *[SRO 492(I)/2009 amended vide SRO 932(I)/2024]*

CAPITAL VALUE TAX

CVT (introduced through the FA, 2022) has been imposed on farmhouses and residential houses situated within the territorial limits of Islamabad Capital Territory on the basis of area (irrespective of its value) as under:

S. No.	Assets Description	Rate
1	Farmhouse (as defined in section 7E of the Income Tax Ordinance, 2001)	Rs 500,000 for the farmhouse with an area between 2,000 square yards and 4,000 square yards and Rs 1,000,000 if the area exceeds 4,000 square yards
2	Residential house	Rs 1,000,000 for the residential house with an area between 1,000 square yards to 2,000 square yards, and Rs 1,500,000 if the area exceeds 2,000 square yards

CVT in above cases would be payable at the time the income tax return for the tax year is due, and in the manner prescribed.

PETROLEUM LEVY

Through the FA, the maximum rates for various petroleum products have been increased as under:

S. No.	Petroleum Product	Unit	Prior to FA	Subsequent to FA
			Rupees per unit	
1	High Speed Diesel Oil (HSDO)	Litre	60	70
2	Motor Gasoline	Litre	60	70
3	Superior Kerosene Oil (SKO)	Litre	50	50
4	Light Diesel Oil (LDO)	Litre	50	50
5	High Octane Blending Component (HOBC)	Litre	50	70
6	E-10 Gasoline	Litre	50	50
7	Liquefied Petroleum Gas (produced / extracted in Pakistan)	Metric ton	30,000	30,000

STAMP DUTY

SCHEDULE – I TO STAMP ACT, 1899 RESTRUCTURING OF STAMP DUTY ON CONVEYANCE

Article 23 of the Schedule I to the Stamp Act, 1899 (as enforced in Islamabad Capital Territory) has been restructured as under:

Revised		Previous	
“23. CONVEYANCE as defined under sub-section (10) of section 2 not being a transfer charged or exempted under Article 62, -	One thousand Rupees	23. CONVEYANCE as defined by section 2 (10) not being a TRANSFER charged or exempted under No. 62	Four percent of the value of the property
(a) any instrument or set of instruments relating to a future flow transaction for fund raising by any bank or financial institution, including but not limited to -			
(i) any instrument involving a conveyance, whether by way of assignment, transfer, sale or another manner, of rights, titles or interests relating to bank accounts, receivables or cash flows, whether in foreign currency or Pakistani Rupees, in existence or which are to come into existence in future; or			
(ii) any other instrument setting out the terms and conditions pertaining to such future flow transaction; and			
(b) in any other case.	Four percent of the value of the property		

EXEMPTION OF STAMP DUTY ON CONVEYANCE

Transfers which are covered under Conveyance described in Article 23(1)(a) have been exempted.

SINDH FINANCE ACT, 2024

SINDH SALES TAX ON SERVICES

EXTENDING THE SCOPE OF THE TERM 'ECONOMIC ACTIVITY' ***[Section 4]***

Currently, the activities of an employee providing services in that capacity to an employer are excluded from the scope of the term 'economic activity'. Now only those services of employee will be excluded from economic activity that are provided by employees with whom the employer is in 'direct' relationship under a contract of employment.

The Sindh Sales Tax on Services (Amendment) Act, 2021 amended the scope of "Economic Activity" to bring into ambit of Sindh Sales Tax such amounts received by the employees from their employers which are in the nature of 'fee' or 'commission'. The Sindh Finance Act, 2024 (**SFA**) has further extended the scope of the term 'economic activity' to cover such activities of an employee, as detailed or engaged by the employer, that are performed for a person other than the employer in connection with or in the course or furtherance of business of the employer.

It appears that this amendment aims to enlarge the scope of economic activity for human resource service providers. This will, however, be viewed in the light of judgements of superior appellate fora wherein it is held that cost of employees, being of reimbursable nature, incurred and charged by such service provider cannot be held subject to SST.

DEFINING THE TERM 'CONSIDERATION' ***[Section 5]***

In the context of 'value of a taxable service' for chargeability of SST, the SFA has defined the terms 'consideration' and 'consideration in money' to mean the gross amount charged by the service provider for the taxable services including any amount that is payable for the services and, except in certain circumstances and subject to certain conditions, 'consideration' or 'consideration in money' also includes any amount of reimbursable expenditure or cost incurred by the service provider and charged in the course of provision of a service.

This amendment will be viewed in the light of judgements of higher appellate forum wherein it is held that reimbursable expenditure or cost incurred and charged by the service provider cannot be held subject to SST.

ADMISSIBILITY OF INPUT TAX ON CERTAIN SPECIFIED GOODS AND SERVICES ***[Section 15A]***

The SFA has restricted claim of input tax credit relating to certain specified goods and services only when directly used and consumed in the provision of a services which, previously, was allowed even when such goods and services were used and consumed in the economic activity of a registered person while providing taxable services.

This amendment is likely to result in litigations on allowability of input tax claim when the specified goods and services are not directly used and consumed in the provision of services but are otherwise used in the overall economic activity relating to provision of taxable service.

INPUT TAX CREDIT ALLOWED TO TELECOMMUNICATION SERVICE PROVIDERS ***[Section 15A]***

Previously, telecommunication service providers paying sales tax at the rate of 19.5% *ad valorem* were allowed input tax credit on other taxable goods and services charged to sales tax not exceeding 17% *ad valorem*.

Through the SFA, telecommunication service providers are now allowed to claim such input tax not exceeding 18% *ad valorem*.

***TIME LIMITATION TO PASS AN ORDER FOR ASSESMENT OF TAX
[Section 23]***

The SFA has restricted the time limitation of 8 years for issuance of show-cause for the tax periods ending on or before June 30, 2025. Whereas, for tax periods starting July 1, 2025, and thereafter, the time limitation for issuance of show cause notice will be 5 years from the end of the respective financial year to which the order relates.

***WITHDRAWAL OF POWER OF OFFICER OF SRB
TO DE-REGISTER A PERSON
[Section 25]***

Previously, the Board or any officer of the SRB authorized by the Board, was empowered to de-register a person upon fulfillment of obligations of de-registration.

Now, such powers of an officer of the SRB to deregister a person have been withdrawn.

***ENHANCING THE SCOPE OF RECORD MAINTENANCE
TO INCLUDE RECORDS OF OTHER PROVINCES
[Section 26]***

Previously, the Act required registered persons to maintain certain records to permit ready ascertainment of tax liability.

The scope of records maintenance has now been enhanced to include the record of other Provinces or areas outside Sindh in order to permit reconciliation or ascertainment of tax liability in Sindh.

***RETENTION PERIOD OF RECORDS AND DOCUMENTS
[Section 27]***

In line with the amendments made to reduce the time limitation for making the assessment, the requirement for maintenance of records of 10 years has also been prescribed for the tax periods ending on or before June 30, 2025. Whereas for tax periods starting July 1, 2025, and thereafter, the time limitation for retention of records and documents will be 6 years from the end of the financial year to which the records or documents relate.

***TIME LIMITATION FOR ISSUANCE OF SHOW CAUSE NOTICE
FOR PAYMENT OF TAX NOT LEVIED OR SHORT LEVIED
[Section 47]***

Presently, where SST is not charged / levied or short-levied (due to some inadvertence, error or miscalculation), a show cause notice for recovery of said SST can be issued within 8 years of the relevant date. Such time limitation would now apply where relevant date is prior to July 1, 2025. Whereas, for tax periods starting July 1, 2025, and thereafter, the time limitation for issuance of show cause notice will be 5 years from the end of the respective financial year to which the relevant date relates.

The time limitation for issuance of show cause notice issued for evasion of SST on account of collusion, abatement, deliberate attempt, misstatement, fraud, forgery, false or fake documents etc., has not been amended and remains 8 years from the end of the tax period in which such evasion takes place.

PENALTIES AND PROSECUTION

[Section 43]

Penalties for the following offences have been enhanced or newly inserted along with the prosecution for such offences:

OFFENCE	PENALTY AND PROSECUTION
Where a person avoids, defies, fails to comply with the e-invoicing system or issues invoices outside the e-invoicing system or refuses, denies, or obstructs the enforcement of provisions of section 54A in any manner.	<p>Penalty has been increased up to Rs 1 million with a minimum penalty of Rs 100,000 as against the previous penalty of:</p> <ul style="list-style-type: none"> (i) Rs 100,000 with minimum penalty of Rs 25,000 for avoidance, defiance, or failure to comply with e-invoicing system; and (ii) Rs 100,000 or an amount equal to the amount of tax involved, whichever is higher in case of refusal, denial, or obstruction of the enforcement of the provisions of section 54A. <p>The place of business of such person was previously liable to be sealed if the person commits three consecutive defaults. The SFA provides for the sealing of business premises upon repetition of the offence after the first default.</p> <p>The SFA has also introduced the provisions to prosecute such person upon conviction by a Special Judge, to imprisonment which may extend to one year or with fine which may extend to Rs 100,000 or with both.</p>
Where a person avoids, defies, delays, or fails to deposit the amount of service fee levied under the Sindh Sales Tax Special Procedure (Online Integration of Business) Rules, 2022 or fails to report the service fee in the sales tax return in the prescribed manner.	<p>Penalty of Rs 100,000 or twice the amount of service fee involved, whichever is higher will be imposed for such offence.</p> <p>Such person shall further be liable, upon conviction by the Special Judge, to imprisonment which may extend to one year or with fine which may extend to Rs 100,000 or with both.</p>

PERIOD OF STAY GRANTED BY COMMISSIONER (APPEALS)

[Section 58]

The Commissioner (Appeal) is empowered to stay the recovery of tax payable under the Sindh Act for the maximum period of 120 days. SFA has extended the said period to 180 days.

APPOINTMENT OF THE TECHNICAL MEMBER OF THE APPELLATE TRIBUNAL

[Section 60]

The Government notwithstanding the criteria for an appointment as a Technical Member, had the power to appoint any of the following persons to be a Technical Member for a period of 10 years from the date of commencement of the Sindh Sales Tax on Services Act, 2011:

- (i) A person who has worked for a minimum of three years as the Federal Board of Revenue or Provincial Excise and Taxation Department in the rank not below the Bs.20 for 5 years in aggregate, or
- (ii) A person who has worked for a minimum of three years as Collector of Sales Tax (Appeals) under section 30(b) of the Sales Tax Act 1990, for 3 years with service of at least 5 years in Bs. 20, as a Technical Member of the Appellate Tribunal.

Since the aforesaid provision was time bound and effectively became redundant after July 1, 2021. Accordingly, through SFA, this provision has been omitted.

***CHANGE IN MONETARY LIMIT OF CASE TO BE DISPOSED OF
BY THE SINGLE MEMBER BENCH OF THE APPELLATE TRIBUNAL
[Section 60]***

Currently, a single member bench of the Appellate Tribunal is authorized to dispose of any case where the tax or penalty involved in Rs 5 million. The SFA has reduced this limit to Rs 1 million.

***REDUCTION IN THE MINIMUM THRESHHOLD
TO PRECLUDE RECOVERY OF TAX
[Section 66]***

Presently, a taxpayer has the option of precluding recovery on payment of 25% of the tax demand during the pendency of appeal before the Commissioner (Appeals). This threshold has been reduced to 10% of the tax demand. As a result, taxpayer may now avail stay against recovery proceedings until the disposal of appeal by the Commissioner (Appeals) by making payment of 10% of the tax demand.

***AGREEMENTS FOR EXCHANGE OF INFORMATION
& DISCLOSURE OF INFORMATION
[Section 73]***

Currently, the provision exists in the income tax, sales tax and federal excise duty laws whereby Federal Government has been empowered for entering into bilateral or multilateral agreements with the provincial governments with respect to exchange of information concerning all three levies. However, no such provision existed in the Sindh Sales Tax on Services Act; thus, the above said provisions are effectively one-sided. The SFA has now introduced similar provision in the Sindh Sales Tax on Services Act.

***SUIT, PROSECUTION OR OTHER LEGAL PROCEEDINGS
[Section 82]***

Prior to the SFA, no suit, prosecution or other legal proceeding against the following could lie in respect of any action taken or any notice issued, or any decision made or any order passed in good faith under the Sindh Sales Tax on Services Act:

- (i) The Government; or
- (ii) Any public servant.

The SFA has now included the SRB or any officer of the SRB within the scope of the above immunity.

INCREASE IN STANDARD RATE OF SINDH SALES TAX (SST)

The SFA has increased the standard rate of SST from 13% to 15%, to align with standard rates applicable in other provinces / ICT, except in case of Punjab where standard rate is still 16%.

SRB has notified reduced rates for different kinds of services. Similarly, there are certain conditional exemptions notified from time to time.

After enactment of SFA, the SRB has issued following Notifications, through which certain exemptions and reduced rates have been provided, which are explained at relevant places in the Memorandum:

- SRB-3-4/23/2024 dated June 29, 2024 [Exemptions]
- SRB-3-4/24/2024 dated June 29, 2024 [Reduced Rates]
- SRB-3-4/27/2024 dated June 29, 2024 [Exemptions & Reduced rates in SST Rules]

INTRODUCTION OF NEW TAXABLE SERVICES

Following new services are taxed with effect from July 1, 2024:

Description of Service & Tariff Heading	Section & Definition	Exemption	SST Rate
Education Services [9857.0000]	2(37A) “education services” includes the pre-primary, primary, elementary, secondary, higher secondary, General Certificate of Education, General Certificate of Secondary Education, International General Certificate of Secondary Education, college or university education and also includes vocational, professional, instructional, technical and continuing education services and trainings rendered or provided by institutions like schools, colleges, universities, academia, institutes, teaching hospitals, or such other degree, diploma or certificate awarding institutions but does not include special education for the children with special needs and education under adult literacy programme;”	Education services provided or rendered by an educational institution provided that the amount of fee / charges for such services does not exceed Rs. 500,000 per annum per student.	3% [with no input adjustment]. It has been clarified in the rules that where fee / charges are collected on monthly basis or on quarterly basis or on semester basis or any other basis, the threshold of Rs. 500,000 per annum shall apply proportionately to determine taxability of services. SST Rules also provide that value of services would be the gross amount of fee / charges including tuition fee, admission fee, examination fee, laboratory fee, library charges and all other fixed charged including those for non-academic activities <u>but excluding</u> the refundable amount of security deposit, received by the person providing education services.
Services provided or rendered by hospitals and clinics [9858.0000]	2(50A) “hospitals and clinics” includes the hospitals or institutions, as defined in clause (a) of section 2 of the Pakistan Medical and Dental Council Act, 2022 (Act No. IV of 2023), and also includes a person or an establishment or an institution or an organization or a facility engaged in providing or rendering the services like medical, surgical, psychiatric, obstetric, dental or ophthalmological and similar treatment and care, whether preventive, prophylactic or curative, of persons including patients or sick or injured persons;	Services provided or rendered by hospitals and clinics other than the services of provision of rooms/beds for their indoor patients and day-care patients where the per day charges (including allied fixed charges, if any) for such rooms / beds exceed Rs. 25,000 per room/bed.	3% [with no input tax adjustment]. It has been clarified in the SST Rules, that where ‘medical practitioners and consultants’ are providing the services from hospital and clinics, the said hospitals and clinics would be collecting agent for the purpose of SST.
Medical Practitioners and Consultants [9815.1000]	2(59A) “medical practitioners and consultants” means the registered medical practitioners and the registered dental practitioners, as defined in clauses (w) and (x), respectively, of section 2 of the Pakistan Medical and Dental Council Act, 2022 (Act No. IV of 2023)	The services, other than the services of cosmetics and plastic surgery of tariff heading 9842.0000, as are provided or rendered by medical practitioners and consultants against consultation / visit fee or charges not exceeding Rs. 3,000 per consultation / visit.	3% [with no input tax]. It is however provided that 3% reduced rate would not apply on the services of cosmetic and plastic surgery [tariff heading 9842.0000], provided or rendered by medical practitioners and consultants.

For the above new services, SST Rules have been amended to provide detailed mechanism / procedure of registration, issuance of invoice, payment of SST and filing of sales tax return by these service providers.

**BROADENING OF SCOPE OF TAXABLE SERVICES THROUGH
AMENDMENTS IN DEFINITIONS
[Section 2]**

Scope of certain services has been broadened through amendments in definitions of those services. The previous and amended definitions are tabulated below:

Section	Previous Definition	Amended Definition	SST Rate	Impact
2(19)	“business support service” means services provided in relation to business or commerce and includes the processing, clearing and settlement services provided or rendered by any person in relation to securities, commodities and future contracts and also includes evaluation of prospective buyers, telemarketing, call centre facilities, accounting and processing of transactions, processing of purchase orders and fulfillment services, information and tracking of delivery schedules, managing distribution and logistics, customer relationship management services, operational assistance for marketing, formulation of customer service and pricing policies, infrastructural support services and other transaction processing.	“business support service” means services provided in relation to business or commerce and includes the processing, clearing and settlement services provided or rendered by any person in relation to securities, commodities and future contracts and also includes evaluation of prospective buyers, telemarketing marketing or telemarketing , call centre facilities, accounting and processing of transactions, processing of purchase orders and fulfillment services, information and tracking of delivery schedules, managing distribution and logistics, customer relationship management services, operational assistance for marketing, formulation of customer service and pricing policies, infrastructural support services and other transaction processing.	15%	Activities of marketing and telemarketing have been brought into the scope of Business Support Services.
2(20B)	“car or automobile dealer” , by whatever name called, means a person who is engaged in providing or rendering the services in relation to sale, purchase, transfer, leasing, marketing or booking of cars and automobiles, whether imported or locally assembled or locally manufactured, including new, old and used cars or automobiles.	“car or automobile dealer” , by whatever name called, means a person who is engaged in providing or rendering the services in relation to sale, purchase, transfer, leasing, marketing or booking of cars and automobiles other motor vehicles , whether imported or locally assembled or locally manufactured, including new, old and used cars or automobiles other motor vehicles .	10%	The scope of services provided by ‘car and automobile dealer’ has been expanded through substitution of term ‘automobiles’ with ‘other motor vehicles’. All kinds of dealers of motor vehicles are, therefore, covered under the said category of service.
2(29A)	“cosmetic and plastic surgery” includes the services provided or rendered by any person, in relation to aesthetic or cosmetic surgery or plastic surgery like abdominoplasty (tummy tuck), blepharoplasty (eyelid surgery), mammoplasty, buttock augmentation and lift, rhinoplasty (reshaping of nose), otoplasty (ear surgery), rhytidectomy (face lift), liposuction (removal of fat from the body), brow lift, cheek augmentation, facial implants, lip augmentation, forehead lift, cosmetic dental surgery, orthodontics, aesthetic dentistry, laser skin surfacing, hair grafting, hair transplant and such other similar surgery.	“cosmetic and plastic surgery” includes the services provided or rendered by any person, in relation to aesthetic or cosmetic surgery or plastic surgery like abdominoplasty (tummy tuck), blepharoplasty (eyelid surgery), mammoplasty, buttock augmentation and lift, rhinoplasty (reshaping of nose), otoplasty (ear surgery), rhytidectomy (face lift), liposuction (removal of fat from the body), brow lift, cheek augmentation, facial implants, lip augmentation, forehead lift, cosmetic dental surgery, orthodontics, aesthetic dentistry, laser skin surfacing, hair grafting, hair transplant and such other similar surgery. <u>Explanation.-For the purpose of this clause, the term “surgery” includes procedure.</u>	- 15% - Certain exemptions are available for cosmetic and plastic surgeries undertaken to restore or reconstruct anatomy or functions of body.	An explanation has been inserted in the definition of ‘cosmetic and plastic surgery’ aiming to cover the ‘medical procedure’ under the scope of surgery.
2(51)	“hotel” includes motels and guesthouses and means a person, establishment, organization or place, by whatever name called, where rooms or suites are let out on	“hotel” includes motels and guesthouses guesthouses, huts, resorts and lodges and means a person, establishment, organization or place, by whatever name called,	15%	The services of hotel are taxable under various sub-headings of 98.01. The definition of hotel has

Section	Previous Definition	Amended Definition	SST Rate	Impact
	rent, whether or not it has any arrangement for catering or function halls as a part of the hotel or provides any other services, facilities or utilities, but does not include a home or hostel which is exclusively used for the aged or invalid persons or students and is run by or under the control of such a charitable or educational institution as are exempt from the application of the Income Tax Ordinance, 2001 (Ordinance No. XLIX of 2001);	where rooms or suites <u>or facilities</u> are let out on rent, whether or not it has any arrangement for catering or function halls or for events as a part of the hotel or provides any other services, facilities or utilities, but does not include a home or hostel which is exclusively used for the aged or invalid persons or students and is run by or under the control of such a charitable or educational institution as are exempt from the application of the Income Tax Ordinance, 2001 (Ordinance No. XLIX of 2001);		been extended to cover the guesthouses, huts, resorts and lodges. In addition to that, the facilities and events in the hotel have also been covered under the definition of 'hotel'.
2(51B) & 2(87A)	“indoor sports and games center” , by whatever name called, includes a person who provides or renders the facility of indoor sports or games whether for amusement, recreation or otherwise, for a consideration in its premises;	“indoor sports and games center”, by whatever name called, includes a person who provides or renders the facility of indoor sports or games whether for amusement, recreation or otherwise, for a consideration in its premises; <u>(87A) “sports and games center”, by whatever name called, includes a person who provides or renders facility of games and sports, whether indoor or outdoor, for amusement, recreation or otherwise, in its premises;</u>	10%	Definition of 'indoor sports and games center' is omitted and new definition of 'sports and games center' has been inserted. Previously, only indoor sports and games centers were taxable. Through this amendment, all sports and games centers (whether indoor or outdoor) are now subject to SST. Corresponding changes have been made in tariff heading 9821.2000. in First and Second Schedules
2(67B)	“programme” means any audio or visual matter, live or recorded or re-recorded or subjected to any post-production processes like dubbing, colouring, sub-titling or captioning, intended to be disseminated by transmission of electro-magnetic waves through space or through cables to be received by general public either directly or indirectly through the medium of cables, telecommunication or relay stations;	“programme” means any audio or visual or audio-visual matter, presented or transmitted live or recorded or re-recorded or subjected to any post-production processes like editing, dubbing, colouring, sub-titling or captioning, for dissemination through cables, space, internet, radio, television, cinema, theatre or any other means;	8%	The definition of 'programme' has been changed to include other modes of transmission / dissemination.
2(72A)	“rent-a-car and automobile rental service” means the services provided or rendered by a person engaged, whether directly or indirectly, in the economic activity of renting cars, cabs, vans or any other passenger motor vehicle;	“rent-a-car and automobile rental service” means the services provided or rendered by a person engaged, whether directly or indirectly, in the economic activity of renting cars, cabs, vans or any other passenger motor vehicle;	10%	Previously, rent-a-car and automobile rental services were confined to passenger vehicles. Now all kinds of vehicles have been covered therein.
2(72B)	“renting of immovable property” includes renting, letting, sub-letting, leasing, sub-leasing, licensing or similar other arrangements of immovable property for use in the course or furtherance of business or commerce, but does not include-- (i) renting of immovable property by a religious body to another religious body; (ii) renting of vacant land or premises solely used for agriculture, aquaculture, farming, forestry, animal husbandry or mining purposes;	“renting of immovable property” includes renting, letting, sub-letting, leasing, sub-leasing, licensing or similar other arrangements of immovable property for use in the course or furtherance of business or commerce, but does not include-- (i) renting of immovable property by a religious body to another religious body; (ii) renting of vacant land or premises solely used for agriculture, aquaculture, farming, forestry, animal husbandry or mining purposes;	3%	In line with the amendments made in the tariff heading 9821.2000 (extending the scope of 'sports and games centers'), exclusion of reference to 'outdoor' games and sports in the definition of 'renting of immovable property' has also been made.

Section	Previous Definition	Amended Definition	SST Rate	Impact
	<p>(iii) renting of land or premises solely used for outdoor games and sports;</p> <p>(iv) renting of buildings solely used for residential purposes or solely used as hostels and boarding homes of a recognized educational institution; and</p> <p>(v) renting of immovable property by hotels, motels, guest houses, clubs and marriage halls and lawns which are otherwise liable to tax under tariff heading 98.01 and the sub-headings thereof.</p>	<p>(iii) renting of land or premises solely used for outdoor games and sports used or to be used for such games and sports which are otherwise liable to tax under tariff heading 9821.2000;</p> <p>(iv) renting of buildings solely used for residential purposes or solely used as hostels and boarding homes of a recognized educational institution; and</p> <p>(v) renting of immovable property by hotels, motels, guest houses, clubs and marriage halls and lawns which are otherwise liable to tax under tariff heading 98.01 and the sub-headings thereof.</p>		
2(91)	<p>“surveyor” means a person engaged in the services of insurance survey, market survey, statistical survey, opinion poll survey and survey relating to risk assessment, loss or damage assessment or claim settlement but does not include the services conducted by the Federal or Provincial or Local Governments for its own purposes and by the recognized educational institutions for the purposes of education and academic research in such institutions;</p>	<p>“surveyor” means a person engaged in the services <u>any kind of specialized or special purpose survey, geological or geophysical survey, surface or sub-surface survey, survey for exploration of minerals</u> of insurance survey, market survey, statistical survey, opinion poll survey and survey relating to risk assessment, loss or damage assessment or claim settlement but does not include the services conducted by the Federal or Provincial or Local Governments for its own purposes and by the recognized educational institutions for the purposes of education and academic research in such institutions;</p>	15%	The scope of services of surveyor has been extended to encompass the special purpose surveys including surveys for exploration of minerals.
2(98CC)	<p>“truck aggregator” means a person who is an aggregator or operator or intermediary or online market place and canvasses or solicits or facilitates or connects the owner or drivers of trucks or other road transportation cargo vehicles with the business enterprises like manufacturers, producers, importers, exporters, warehouses, distributors, wholesalers, retailers, movers or packers through telephone, cellular phone, internet, web-based services, or GPS or GPRS-based services, electronic or digital means, whether or not he charges or collects any fee, fare, commission, brokerage or other charges or consideration for providing such services.</p>	<p>“truck aggregator” means a person who is an aggregator or operator or intermediary or online market place and canvasses or solicits or facilitates or connects the owner or drivers of trucks or other road transportation cargo vehicles with the business enterprises with the persons <u>including business enterprises</u> like manufacturers, producers, importers, exporters, warehouses, distributors, wholesalers, retailers, movers or packers through telephone, cellular phone, internet, web-based services, or GPS or GPRS-based services, electronic or digital means, whether or not he charges or collects any fee, fare, commission, brokerage or other charges or consideration for providing such services.</p>	15%	Presently, the services of truck aggregators covered only the transactions with ‘business enterprises’. These now include other persons as well.

BROADENING OF SCOPE OF TAXABLE SERVICES THROUGH AMENDMENTS IN 'DESCRIPTION' OF RESPECTIVE TARIFF HEADINGS

Certain amendments have been made in descriptions of existing taxable entries which are as under:

Tariff Heading	Description in Second Schedule		SST Rate	Impact
	Previous	Amended		
98.01	Services provided or rendered by hotels motels, guest houses, restaurants, marriage halls, lawns, clubs and caterers.	Services provided or rendered by hotels motels, guest houses, <u>farmhouses</u> , restaurants, marriage halls, lawns, clubs and caterers.	15% -Certain conditional exemptions are available.	The scope of services has been extended to include 'farmhouses' in the main heading.
9801.1000	Services provided or rendered by hotels motels and guest houses.	Services provided or rendered by hotels motels and guest houses, <u>guest houses and farmhouses.</u>	15%	Besides extending the scope of main heading, the services covered under the tariff headings 9801.1000 and 9801.6000 have also been extended to cover guesthouses and farmhouses.
9801.6000	Ancillary services provided or rendered by hotels motels, guest houses / restaurants, marriage halls and lawns, clubs and caterers.	Ancillary services provided or rendered by hotels motels, guest houses <u>guest houses, farmhouses</u> / restaurants, marriage halls and lawns, clubs and caterers.	- 15% -Certain conditional exemptions are available for clubs and marriage halls / lawns	
9821.2000	Indoor sports and games center.	Indoor sports <u>Sports</u> and games center.	10%	The services of 'outdoor' sports have been brought into the scope of SST.
9836.0000	Services provided or rendered by persons engaged in intercity transportation or carriage of goods by road or through pipeline or conduit.	Services provided or rendered by persons engaged in intercity transportation or carriage of goods by road or through pipeline or conduit.	- 15% - Reduced rates of 3% and 8% are available subject to certain conditions. Accordingly, Sindh Sales Tax Special procedure (Transportation or carriage of Petroleum Oil through Oil Tankers) Rules, 2018 and Rule 42G of SST Rules have also been amended.	Presently, only services of 'intercity' transportation are subject to SST. Now, all transportation services (intercity and intra-city) have been taxed under SST Act.
9853.0000	Vehicle parking and valet services	<u>Vehicle towing,</u> vehicle parking and valet services	5%	Towing services have now been brought into the scope of SST.

Services of foreign exchange dealers, exchange companies and money exchangers [Through Notification NO. SRB-3-4/23/2024; Notification NO. SRB-3-4/24/2024 & Notification NO. SRB-3-4/27/2024 all Dated June 29, 2024]

Previously, the services provided or rendered by foreign exchange dealer or exchange company or money changers / exchangers were exempt from SST subject to the condition that 'spread' charges remained within the permitted limits of State Bank of Pakistan. The spread in excess of permitted limit was chargeable to SST at the rate of 13%, on value of services (determined as 20 paisa / Rs. 100).

Through various notifications issued on June 29, 2024, the aforesaid exemption from taxation, where spread is within the permitted limits, has been withdrawn. It has also been provided that their value of services would be 25 paisa / Rs. 100 which would be taxed at reduced rate of 3% without input tax adjustment.

The illustration for computing the SST is provided as follows:

Illustration:

Exchange company buys US\$ 50 for Rs. 5,000 from a customer. In such case, value of services for the purpose of SST shall be:

$25 \text{ paisa} \times 5,000 \div 100 = \text{Rs. } 12.5$

The tax at the rate of 3% shall be $\text{Rs. } 12.5 \times 3\% = \text{Rs. } 0.375$

The same formula shall also apply in the case of sale of the foreign currency.

Services of Restaurants (9801.2000) [Through Notification NO. SRB-3-4/24/2024 dated June 29, 2024 & Circular No.04/2024 dated June 30, 2024]

The services of restaurants are chargeable to standard rate of SST having annual turnover of Rs. 2.5 million and above.

Through various notifications dated June 29, 2024, following major amendments have been made:

- (i) Reduced rate of 8% SST (without input tax adjustment) has been prescribed subject to the condition that the payment against tax invoice, is received through debit or credit cards, mobile wallets or QR scanning.
- (ii) The SRB may, upon request, allow the restaurant to pay sales tax at the rate of 15% instead of reduced rate of 8%. The option for standard rate of 15% has been provided in SST Rules without amending the relevant notification which appears to be an anomaly.

In this respect, the SRB has also issued a Circular No.4/2024 dated June 30, 2024 as per which the restaurant may charge SST at the rate of 15% on invoices with the permission of the SRB. The said Circular also emphasised on application of apportionment rule provided under Rule 22(3) of SST Rules, from which it appears that a restaurant may elect / opt to charge SST at standard rate of 15% for certain invoices whilst charging reduced rate of 8% on the others.

Cable TV Operator Services [Through Notification NO. SRB-3-4/23/2024 & Notification NO. SRB-3-4/24/2024 all dated June 29, 2024]

The 'Cable TV Operators' [Tariff Heading: 9819.9000] are chargeable to SST at reduced rate of 10% without input tax adjustment.

Now a further reduced rate of 2% (without input tax adjustment) has been prescribed for the Stand-alone Cable TV Operators'. For that purpose, 'Stand-alone Cable TV Operator' has been defined as:

"Explanation: For the purpose of this notification, a "stand-alone Cable TV Operator" means a person whose principal activity is the provision of services of "Cable TV Operators" of tariff heading 9819.9000 and whose other service-related business activity, if any, is restricted to the provision of the taxable services of "advertisement on Cable TV network" of tariff heading 9802.5000."

The exemption provided for cable TV operators in rural areas under PEMRA's license of category 'R' has been withdrawn.

Distribution Services [Through Notification NO. SRB-3-4/24/2024 & Notification NO. SRB-3-4/27/2024 all dated June 29, 2024]

After the pronouncement of the decision of Hon'ble Sindh High Court (SHC) in case of Mubashir Traders & Others (which was also upheld by the Supreme Court of Pakistan), SRB started issuing notices to distributors for not charging SST under the category of 'Supply chain management or distribution (including delivery) services' [Tariff heading: 9845.0000]. There were issues regarding the implementation of the decision of superior courts as there was no mechanism provided under the law / rules to determine the value of services.

Now, Rule 42M has been introduced wherein value of services have been confined to 8% of gross margin of distributors. An explanation has also been provided to define the term 'gross margin' as under:

"Explanation: The term "gross margin", for the purpose of this rule, includes the trade margin, trade discount, trade offer, commission, rebate or any other incentive, by whatever name called, as are received by such distributors in relation to the distribution services."

After introduction of above rule, the distribution services are now chargeable to SST at the rate of 15% on gross margin as defined above. However, reduced rate of 5% (without input tax adjustment) has been provided for distribution services in relation to the Drugs Act, 1976 (Act No. XXXI of 1976). Such concessional rate has probably been given to reduce the burden of sales tax on pharma sector as input tax is not allowable on sale of drugs by the manufacturers / importers.

It is pertinent to mention that the tariff heading 9845.0000 covers the description of 'Supply chain management or distribution (including delivery) services' whereas the above mechanism has been prescribed for services provided by the distributors only.

The application of above entry and the related rules would depend upon the terms of the agreements with the distributor. Furthermore, the allowability of input tax (of SST) chargeable on distribution services against the Federal sales tax liability (particularly in view of the fact that no payment will be made to the distributor), the valuation of distribution services and its jurisdictional mechanism may preferably be aligned / agreed with the federal and other provincial authorities.

Validity of Option for standard rate enhanced from 13% to 15% [Through Notification NO. SRB-3-4/27/2024 dated June 29, 2024]

For the following services, SST Rules provide for election of SST at standard rate through filing the prescribed forms within the due dates:

<i>Tariff heading</i>	<i>Description of Services</i>
9823.0000	Franchise services
9838.0000	Intellectual property services
9824.0000	Construction services
9837.0000	Ready mix concrete services
9836.0000	Services provided or rendered by persons engaged in transportation or carriage of goods by road or through pipeline or conduit

The SST Rules have now been amended to provide that the options already filed till June 30, 2024 shall remain valid for the next year with standard rate of 15%.

E-Hearing [Rule 57H]

Previously the facility of E-hearing of appeals was available at Sukkur and Hyderabad Regional Offices. Now, this facility has been enabled for all the regional offices of the SRB.

AMENDMENTS IN THE SINDH SALES TAX SPECIAL PROCEDURE (TAX ON SPECIFIED SERVICES) RULES. 2023 [Through Notification NO. SRB-3-4/30/2024 Dated June 29, 2024]

These rules were notified last year by the SRB requiring charging and collection of sales tax on the payment of specified services obtained by service recipients in Pakistan from persons resident outside Pakistan (i.e., under the Reverse Charge Mechanism). Banks have been specifically made collecting agents under the said notification.

Initially, Advertisement services and Software / IT based services were notified under these Rules but later Market Research Agency was also brought into its ambit. Certain corrective amendments are made in the rules to replace the earlier two services with all three services that are chargeable.

Since the standard rate of SST has been enhanced from 13% to 15%, the corresponding rates at which SST is required to be collected has also been enhanced under these rules. As a result, the banking companies are now required to charge and collect SST from the recipient of following services obtained from outside Pakistan.

S.No.	Description of Service	Tariff Heading	SST Rate
1.	Advertisement services	9802.1000 to 9802.9000	15%
2.	Services provided by software or IT based system development consultants	9815.6000	3%
3.	Services provided or rendered by market research agency	9818.3	15%

It has been clarified by SRB through subsequent notification that SST shall be collected by the Banks only where the recipient of the services is other than a company appearing on the Active Taxpayers List maintained either by SRB under the Sindh Sales Tax on Services Act, 2011 or by FBR under the Federal

AMENDMENTS IN THE SINDH SALES TAX SPECIAL PROCEDURE (WITHHOLDING) RULES. 2014 [Through Notification NO. SRB-3-4/28/2024 Dated June 29, 2024]

Amendments are made in the scope of “withholding agent” as defined under the rules, to merge two clauses relating to public sector organizations and SOEs into a single clause, without having any effect on the scope of withholding agent and relevant rules:

Clauses before the FA	New clause subsequent to FA
(a) autonomous bodies;	(b) Such of the autonomous bodies, state-owned enterprises and regulatory bodies and authorities as are not incorporated under the Companies Act, 2017 (Act No. XIX of 2017)
(c) public sector organizations, including public corporations, state-owned enterprises and regulatory bodies and authorities;	

References to clause (c) elsewhere under the rules have been accordingly omitted.

Consistent with amendments in the Act, changes have been made in the Withholding Rules to provide that the time limitation for retention of records and documents for tax periods starting July 1, 2025, and thereafter shall be 6 years from the end of the financial year to which the records or documents relate. The withholding record maintenance requirement for tax periods prior to July 2025 shall continue to be 8 years. It is not clear whether 8 years are to be counted “from the tax period to which the records relate” or “from the end of the financial year to which the records relate”.

AMENDMENTS IN THE SINDH SALES TAX SPECIAL PROCEDURE (ONLINE INTEGRATION OF BUSINESS) RULES, 2022 [Through Notification NO. 3-4-/29/2024 DATED JUNE 29, 2024]

Powers of inquiry by the authorized person of the SRB have been enhanced to include such matters as are necessary for checking of the documents validating the transactions made through digital modes (i.e., debit or credit cards, mobile wallets or QR scanning).

A facility is available to the service recipients acquiring services from an integrated person to check whether the transaction has been communicated to the SRB, through using “My Tax” mobile app. A clarificatory amendment has been made to provide that such facility will be available against the SRB’s POS invoice.

The format of the invoice provided in Annexure-I these rules has also been updated to cater the reduced rates of SST available to various persons required to integrate, such as restaurants.

EXTENSION OF REDUCED RATE ON THE SERVICES OF RECRUITING AGENTS (9805.6000) [Through Notification NO. 3-4-/25/2024 Dated June 29, 2024]

The sales tax on services provided or rendered by the recruiting agents, (as are classified under tariff heading 9805.6000) for employment outside Pakistan was chargeable at a reduced rate of 5% till financial year 23-24.

An amendment is now introduced whereby such reduced rate has been extended for the financial years 2024-25 and 2025-26 subject to conditions prescribed in the relevant notification, which includes deposit of tax liability for the tax periods upto June 2024 (if not paid earlier) by July 15, 2024.

Similarly, the tax returns for the tax periods prior to June 2024, if not filed earlier, are now required to be e-filed by the service provider on or before the July 20, 2024.

The relevant notification for reduced rate will be considered to be rescinded on June 30, 2026 if not rescinded earlier.

SINDH – OTHER LAWS

STAMP DUTY

REVAMPING OF STAMP DUTY ON CERTAIN CATEGORIES

Stamp duty has been revamped on the following categories:

Article	Description of instrument(s)	Revised Stamp Duty
1	ACKNOWLEDGMENT OR RECEIPT of money or any other consideration relating to immovable property.	Rs. 500
3	Agreement or Memorandum of an Agreement –	
	(a) If relating to the:	
	(i) sale or transfer of a registered motor vehicle;	
	(ii) If relating to the sale of an immovable property;	Rs. 1,000
	(iii) If relating to the re-conveyance of mortgaged property;	
	(b) If relating to the execution of an agreement between builder, developer and/or allottee for booking of apartment, shop, house, office or plot in public sale project approved by Sindh Building Control Authority;	Rs. 5,000
	(c) If not otherwise provided for.	Rs. 1,000
26	Policy of insurance or Renewal of insurance	
	A. Sea Insurance (See Section 7), and Policy by Air	
	(1) For each voyage-	0.02% on the sum insured subject to a minimum of Rs 500
	(2) For time Where the insurance shall be made for any time not exceeding twelve months	0.09% on the sum insured subject to a minimum of Rs 500
	B. Fire-Insurance and Other Classes of Insurance, not otherwise included in this Article, Covering Goods, Merchandise, Personal Effects, Crops, and other Property Against Loss or Damage	Rs. 500
	C. Life Insurance Health Insurance or other Insurance not Specially Provided for except such Re-Insurance as is described in the Division of this article	0.15% on the sum insured subject to a minimum of Rs 500
	D. If not otherwise provided for	Rs. 500
27	Power of attorney as defined by section 2(21)-	
	(a) when given not for consideration and authorizing the attorney to sell any immovable properties	Rs. 7,000
	(b) when given for consideration and authorizing the attorney to sell any immovable property	Same duty as leviable on the Conveyance under Article 16 (A)(i)
	(c) in any other case	Rs. 1,000

ENHANCEMENT OF RATE / CHANGE IN BASIS OF LEVYING STAMP DUTY

The rate of Stamp duty / basis of levying Stamp Duty has been enhanced / amended on the following categories:

Article	Description of Instrument(s)	Previous	Revised
2	Affidavit, including an affirmation or declaration in the cause of persons by law allowed to affirm or declare instead of swearing.	Rs. 50	Rs. 500
	<i>There have been no changes in Exemptions mentioned in the said Article.</i>		
7	Bill of entry including goods declaration or any documents relating to goods declaration for the purpose of Custom clearance.	Rs. 1,000	Rs. 2,000
9	Bill of Lading (including a through bill of Lading).	Rs. 300	Rs. 1,000
	Note: If a bill of lading is drawn in parts, the proper stamps therefor must be borne by each one of the sets.		
	<i>There have been no changes in Exemptions mentioned in the said Article.</i>		
10	(C) Debenture including a Participation Term Certificate, Term Finance Certificate and Commercial Papers, Whether a mortgage debenture or not), being a marketable security transferable."	0.05% of the amount per annum on first issue and 0.02% per annum of the amount of the commercial paper on subsequent transfer.	0.05% of the amount per annum or part thereof on first issue and 0.02% per annum or part thereof of the amount of the commercial paper on subsequent transfer <u>subject to a minimum of Rs. 500.</u>
11	Certificate of Sale (in respect of each property put up as separate lot and sold) granted to the purchaser of any property sold by public auction by a Civil or Revenue Court, or Collector or other Revenue Officer	3% of the amount of purchased money only	Same duty as leviable on the Conveyance under Article 16(A)(i)
16	(A) Conveyance as defined by section 2(2) not being a Transfer charged or exempted under Article No. 31.		
	(i) To and From Real Estate Investment Trusts (REITS).	At the rate of 1% of value in the valuation table or at the floating rate charged on the actual value	At the rate of 2% of the value in the valuation table or declared value recorded in the instrument whichever is higher.
	(ii) In any other case.	2% of the value in accordance with valuation table.	Same duty as leviable on the Conveyance under Article 16(A)(i).
	(iii) Lease or Sub-lease to and from Real Estate Investment Trusts (TETS).	1% in accordance with the valuation table or 0.25% on market value whichever is higher.	1% in accordance with the valuation table or 0.25% on market value whichever is higher.
	(B) Transfer or lease by way of assignment.	At the rate of 1% of value in the valuation table or at the floating rate charged on the actual value.	Same duty as leviable on the Conveyance under Article 16(A)(i)
17	Counterpart or Duplicate of any instrument chargeable with duty and in respect of which the proper duty has been paid— <i>Exemptions:</i> Counterpart of any lease granted to cultivator when such lease is exempted from duty	Rs. 500	Rs. 1,000
21	Lease, including an under-lease or sub-lease, an agreement to let or sub-let and the surrender of a lease:		
	i. where the lease relates to open plots, flats, shops, offices, town houses and bungalows, together with the right in the divided share or otherwise of the plot where the value thereof determined in accordance with the valuation table;	At the rate of 1% of value in the valuation table or at the floating rate charged on the actual value.	Same duty as leviable on the Conveyance under Article No. 16(A)(i)

Article	Description of Instrument(s)	Previous	Revised
	ii. surrender including lease or sub-lease and pre-lease in respect of open or built-up property in urban areas under section 27-A (except In case when surrender to KDA, DHA or any other Government Agency).	At the rate of 1% of value in the valuation table or at the floating rate charged on the actual value.	Same duty as leviable on the Conveyance under Article No. 16(A)(i)
	iii. Rent-based lease/license/agreement.	1.5% of the total rent due for the entire period of lease / license / agreement	1% of the total rent due for the entire period of lease / license / agreement subject to a minimum Rs 500
	iv. Lease or Sub-lease to and from Real Estate Investment Trusts (REITs).	At the rate of 1% of value in the valuation table or at the floating rate charged on the actual value.	Same duty as leviable on the Conveyance under Article No. 16(A)(i)
22	Letter of Credit, that is to say the instrument including applications and agreements for opening letter of credit by which one person authorizes another to give credit to the person in whose favour is it drawn –		
	(a) If the amount of Letter of Credit does not exceed Rs. 50,000;	Rs. 200	Rs. 500
	(b) If the amount exceeds Rs. 50,000 but does not exceed Rs. 500,000;	Rs. 400	Rs. 800
	(c) For any amount exceeding Rs. 500,000	Rs. 1000	Rs. 2,000
23	Mortgage deed or a deed of further charge not being an Agreement relating to Deposit of Title Deeds, pawn or pledge, Bottomry Bond, Financing documents, Respondentia bonds or Security Bonds:		
	(a) when possession of the property or any part of the property comprised in such deed is given by the mortgagor or agreed to be given;	3% of the amount secured by such deed.	Same duty as leviable on Financing Document under Article 19
	(b) when possession is not given agreed to be given as aforesaid;	2% of the amount secured by such deed.	Same duty as leviable on Financing Document under Article 19
	Explanation. A mortgagor who gives to the mortgagee a power-of-attorney to collect rents or a lease of the property mortgaged or part thereof, is deemed to give possession within the meaning of this Article.		
24	Notarial Act, that is to say, any instrument, endorsement, note, attestation, certificate or entry made or signed by a Notary Public in the execution of the duties of his office, or by any other person lawfully acting as a Notary Public	Rs 5	Rs 500
28	Promissory Note as defined by section 2(22)- (a) When payable on demand-		
	(i) When the amount or value does not exceed two hundred fifty thousand rupees;	Rs. 500	Rs. 1,000
	(ii) When the amount exceeds two hundred fifty thousand rupees;	Rs. 1,000	Rs. 2,000
	(b) When payable otherwise than on demand.	0.2% of the amount payable otherwise than on demand	0.2% of amount payable otherwise than on demand subject to minimum of Rs. 500.
29	Release, that is to say, instrument (not being such a release as is provided for by section (23-A) whereby a person renounces a claim upon another person or against any specified property.	At the rate of 1% of value in the valuation table or at the floating rate charged on the actual value.	Same duty as leviable on the Conveyance under Article No. 16(A)(i)
30	Settlement –		
	A.-Instrument of (including a deed of dower)-		
	(i) where the settlement is made for a religious or charitable purpose.	4.5% of the value of the property settled.	No change made.

Article	Description of Instrument(s)	Previous	Revised
	(ii) In any other case.	At the rate of 1% of value in the valuation table or at the floating rate charged on the actual value or 5% of the value of moveable property settled.	Same duty as leviable on the Conveyance under Article No. 16(A)(i) or 5% of the value of moveable property settled.
32	Trust		
	(i) where Trust is made in respect of immovable property.	At the rate of 1% of value in the valuation table or at floating rate charged on the actual value.	Same duty as leviable on the Conveyance under Article No. 16(A)(i)

INTRODUCTION OF STAMP DUTY ON NEW INSTRUMENTS

Stamp duty has been introduced on the following new categories:

Article(s)	Description of Instrument(s)	Revised Stamp Duty
3-A	Air Tickets issued by any Airlines – (i) For Domestic Flights (ii) For International Flights	Rs. 250 per ticket Rs. 1,000 per ticket
4-A	Allotment orders or issuance or renewal of sanads by the Government	Rs. 5,000
24-A	Partnership or dissolution of Partnership	Rs. 5,000

WITHDRAWAL OF STAMP DUTY

Stamp duty has been withdrawn on the following categories:

Article(s)	Description of Instrument(s)	Stamp Duty
23	Mortgage deed or a deed of further charge not being an Agreement relating to Deposit of Title Deeds, pawn or pledge (No. 19), Bottomry Bond (No. 16), Financing documents (No. 19), Respondentia bonds (No. 10) or Security Bonds (No. 10): (c) When a collateral or auxiliary or additional substituted security or by way of further assurance for the above-mentioned purposes where principal or primary security is duly stamped for every sum secured not exceeding Rs. 1,000. And for every Rs. 1,000 or part thereof secured in excess of Rs. 1,000 (d) Hypothecation of immovable property not based on interest.	Rs. 15 Rs. 15 0.2% of the amount of the loan or finance mentioned in the document
23-A	Mortgage deed or any other financing instrument or set of instruments based on interest securing loan from any bank or any other financial institution	1% of the entire amount of loan advanced.

SINDH MOTOR VEHICLES TAX

An amendment has been made regarding rate of tax for the categories of the specified imported and locally manufactured or assembled motor cars. Further, specified imported and locally manufactured jeeps are also included within the scope of section 3 of the Sindh Motor Vehicles Taxation Act, 1958.

The table prior to and subsequent to the amendment is as follows:

PRIOR TO THE AMENDMENT

S.No	Description	Old rate of tax in Rupees
1	Imported motor cars with engine capacity from 3000 cc and above	150,000
2	Imported motor cars with engine capacity from 2000 cc to 2999 cc	75,000
3	Imported motor cars with engine capacity 1500 cc to 1999 cc	5,000
4	Locally manufactured or assembled motor cars with engine capacity from 1500cc and above	5,000

TABLE SUBSEQUENT TO THE AMENDMENT

S.No	Description	Revised rate of tax in rupees
1	Imported Motor Car/Jeeps etc. with engine capacity 3000cc and above	450,000
2	Imported Motor Car/Jeeps etc. with engine capacity 2000cc to 2999cc	275,000
3	Imported Motor Car/Jeeps etc. with engine capacity 1500cc to 1999cc	100,000
4	Locally manufactured or assembled Motor Car/Jeeps etc. with engine capacity 2000cc and above	50,000
5	Locally manufactured or assembled Motor Car/Jeeps etc. with engine capacity 1500cc and to 1999cc	25,000

SINDH PROFESSIONAL TAX

Certain amendments have been made in the Seventh Schedule to the Sindh Finance Act, 1964 in the following manner:

Description	Old rate of tax per annum	Revised rate of tax per annum
	Amount in rupees	
All Persons assessed to Income Tax , All persons engaged in any professional, trade calling or employment, other than those mentioned hereinafter and assessed to in the preceding financial year	500	2,000
All factories, shops, or establishments, including Video shops, real estate, shops / agencies, and car dealer not assessed to income tax in the preceding financial year	1,000	2,000
All Petrol Pumps & CNG Stations	5,000	20,000

SINDH INFRASTRUCTURE CESS

This Cess is previously charged on a composite basis having relation with the value assessed by the Customs authorities and a Cess based on the weight of the goods.

Now, the rate in relation to the value of goods has revised for each category by 0.6%. The rate of Cess prior to and subsequent to the amendment is as follows:

Net weight of goods	Old rates of Cess along with distance	Revised rates of Cess along with distance
Upto 1250 kilograms.	1.20% of total value of goods as assessed by the Custom Authorities plus one paisa per kilometer	1.80% of total value of goods as assessed by the Custom Authorities plus one paisa per kilometer.
Exceeding 1250 kilograms but not exceeding 2030 kilograms.	1.21% of total value of goods as assessed by the Custom Authorities plus one paisa per kilometer	1.81% of total value of goods as assessed by the Custom Authorities plus one paisa per kilometer.
Exceeding 2030 kilograms but not exceeding 4060 kilograms.	1.22% of total value of goods as assessed by the Custom Authorities plus one paisa per kilometer	1.82% of total value of goods as assessed by the Custom Authorities plus one paisa per kilometer.
Exceeding 4060 kilograms but not exceeding 8120 kilograms.	1.23% of total value of goods as assessed by the Custom Authorities plus one paisa per kilometer	1.83% of total value of goods as assessed by the Custom Authorities plus one paisa per kilometer.
Exceeding 8120 kilograms but not exceeding 16000 kilograms.	1.24% of total value of goods as assessed by the Custom Authorities plus one paisa per kilometer	1.84% of total value of goods as assessed by the Custom Authorities plus one paisa per kilometer.
Exceeding 16000 kilograms.	1.25% of total value of goods as assessed by the Custom Authorities plus one paisa per kilometer	1.85% of total value of goods as assessed by the Custom Authorities plus one paisa per kilometer.

PUNJAB SALES TAX ON SERVICES

APPOINTMENT OF AUTHORITIES **[Section 39]**

The appointment of various authorities/officers under the Punjab Sales Tax on Services Act, 2012 was previously required to be done by the Punjab Revenue Authority in the prescribed manner and by notification in the official gazette.

Through the Punjab Finance Act, 2024 ('PFA'), the requirements to make such appointment 'in the prescribed manner' and publication of notification 'in the official gazette' have been omitted with retrospective effect from July 1, 2012.

PUNJAB - OTHER LAWS

THE COURT FEES ACT, 1870

Earlier, miniscule fees, ranging from 50 paisa to Rs 200 were prescribed under the Punjab Sales Tax on Services Act, 2012 in relation to following matters:

- (i) Obtaining copy of order or decree passed by any Court, Office or Authority;
- (ii) Submission of copy of document in place of original;
- (iii) Filing of application or petition under relevant legal provisions before relevant Court, Office or Authority;
- (iv) Filing of power of attorney;
- (v) Application seeking retrieval/ call of record from another court, involving use of post;
- (vi) Application for leave to sue or appeal as pauper;
- (vii) Filing of plaint or memorandum of appeal, caveat etc.

Through the PFA, the above fees have been rationalized by upward revision in the following manner:

<i>Previous fee (where applicable)</i>	<i>Revised fee</i>
Fifty paisa to one rupee	One hundred rupees
Two rupees	Five hundred rupees , except in case of filing of Mukhtarnama or Wakalatnama before Civil or Criminal Court (other than High Court), Revenue Court, Collector or Magistrate, Commissioner or Revenue, Circuit or Customs or to any officer (not being Chief Revenue or Executive Authority) charged with Executive Administration of Division, for which revised fee of one hundred rupees has been made applicable.
Three rupees	Five hundred rupees , except in case of application to any Civil Court seeking retrieval or call of record from another Court (involving use of the Post), for which revised fee of fifty rupees shall be applicable.
Five rupees	Five hundred rupees
Seven rupees and fifty paisa	Five hundred rupees
Ten rupees	Five hundred rupees , except in case of plaint or memorandum or appeal to set aside an award, for which the revised fee is one thousand rupees
Fifteen rupees	Five hundred rupees
Twenty rupees	Five hundred rupees , except in case of application under Chapter II of the Arbitration Act, 1940, in which case, revised fee of one thousand rupees has been made applicable .
Twenty-five rupees	Five hundred rupees
Thirty rupees	Five hundred rupees
Two hundred rupees	One Thousand rupees

THE STAMP ACT, 1899

Through the PFA, the stamp duty in respect of following instruments has been revised:

Sr No.	Document	Previous duty	Revised duty
		Rupees	
(i)	Affidavit including affirmation or declaration in case of persons by law allowed to affirm or declare instead of swearing. <i>[certain exemptions already provided under the law remain the same]</i>	100	300
(ii)	Agreement or memorandum of an agreement: <ul style="list-style-type: none"> relating to sale of immovable property; and if not otherwise provided for <i>[residuary category]</i> 	1,200 100	3,000 500
(iii)	Cancellation of instrument, if attested and not otherwise provided for	100	500
(iv)	Contract made or entered into by a contractor with Government, Corporation, Local Body, Local Authority, agency or organization controlled by Federal or Provincial Government, to execute any work, with duly leviable according to amount of contract in the following manner: <ul style="list-style-type: none"> Up to Rs 500,000; Rs 500,001 to Rs 1,000,000 Rs 1,000,001 to Rs 1,500,000 Rs 1,500,001 to Rs 15,000,000 Rs 15,000,001 and above 	1,200 2,000 3,000 5,000 10,000	3,000 5,000 8,000 15,000 30,000
(v)	Instrument of Divorce	100	1,000
(vi)	Power of attorney (not chargeable with a fee under the law relating to Court-fees): <ul style="list-style-type: none"> Executed for authorizing not more than ten persons; and When given without consideration authorizing the attorney to sell any immovable property executed between spouses or between one wife or widow and another wife or widow of the same husband, or between father, mother, son, daughter, grandparents, grandchildren or siblings. 	500 1,200	2,000 3,000
(vii)	Re-conveyance of mortgaged property	100	1,000
(viii)	Surrender of lease	100	1,000

THE PUNJAB URBAN IMMOVABLE PROPERTY TAX ACT, 1958

Through the PFA, the mode and manner provided for determination of value of immovable property and computation of property tax thereon have been revamped. Earlier, property tax was payable at the rate of 5% of 'annual value' of the building and land, that was either computable based on annual rent at which the property could be let out or the same was determined according to valuation tables notified by or under the authority of the Government.

Now, the property tax shall be chargeable based on 'taxable value' of the property, determinable on the basis of valuation table notified under the Stamp Act, 1899. Further, the Government shall also be empowered to determine the taxable value of a building or land through issuance of a valuation table and categorize certain properties as high value property, by notification in official gazette.

Through insertion of Schedule, following rates have been prescribed for determination of property tax based on taxable value of the property:

S. No.	Taxable Value	Residential Properties	Commercial Properties
		Revised rates of tax	
1.	Up to Rs 5 million	Exempted	0.07%
2.	Exceeding Rs 5 million and up to Rs 10 million	0.07%	0.07%
3.	Exceeding Rs 10 million and up to Rs 25 million	0.08%	0.08%
4.	Rs 25 million and above	0.09%	0.09%

In case the tax payable, under above table, is lower than the tax payable on and before December 31, 2024, then the tax shall be payable as given below until such tax payable becomes equal to or greater than the tax payable under above table:

Sr. #	Taxable Value	Residential Properties	Commercial Properties
		Revised rates of tax	
1.	Up to Rs 5 million	Exempted	Tax on and before 31.12.2024
2.	Exceeding Rs 5 million and up to Rs 10 million	Tax on and before 31.12.2024 + 10%	Tax on and before 31.12.2024 + 10%
3.	Exceeding Rs 10 million and up to Rs 25 million	Tax on and before 31.12.2024 + 10%	Tax on and before 31.12.2024 + 10%
4.	Rs 25 million and above	Tax on and before 31.12.2024 + 20%	Tax on and before 31.12.2024 + 20%

Definition – Owner

The scope of the term ‘owner’ in connection with the building and land earlier included ‘lessee in perpetuity’ among other classifications. It is now substituted to include ‘lessee in possession’.

Exemptions

Certain exemptions from the purview of tax were provided under the previous Act including residential house / vacant plot having nominal annual value. The PFA has enhanced the extent of the exemption to include buildings and lands used or intended to be used exclusively as residential property, the taxable value of which does not exceed Rs 5 million.

Self-assessment

Through the PFA, the procedure has been specified for self-assessment of value of land and building by the owner in the manner as may be prescribed, and based thereon, property tax shall be paid/ settled by the owner along with filing of online declaration of correctness and truthfulness. Further, relevant legal provisions have been incorporated to enable audit of self-assessment. In case of any variation, the assessing authority shall collect the actual tax along with onetime penalty equivalent to amount of tax evaded.

In case the owner has not filed the self-assessment declaration of land and building, the assessing authority may issue notice for compliance within the time frame not exceeding two weeks.

Hardship

To address any hardship case, a grievance committee is to be constituted by the Government through notification in the official Gazette. This committee may by an order containing reasons, exempt land and building from payment of whole or any part of tax under the Act.

PUNJAB MOTOR VEHICLES TAXATION ACT, 1958

Motorcycles

A tax of Rs 1,500 was earlier chargeable at the time of registration of motorcycles, scooters and motorcycles drawing a side trailer or cabin.

Through the PFA, this tax of Rs 1,500 is also made applicable in respect of transfer of registration of such vehicles within ten years of registration. However, 10% rebate for each financial year will be available against the aforesaid fee.

Motor Vehicles (other than tricycles/ trucks/ trailer vans/ delivery vans/ imported vehicles, vehicles plying for hire)

Tax was earlier leviable/ payable in respect of subject vehicles on the basis of seating capacity/ engine power thereof as a fixed amount, irrespective of value of vehicles.

Through the PFA, while fixed amount of tax would remain chargeable only in respect of vehicle with engine capacity up to 1000cc, in case of vehicles with higher engine power, tax shall now be leviable on the basis of invoice value thereof. The previous and revised rates of tax on subject vehicles are given below:

Sr. No.	Description of Motor Vehicles	Previous annual Rate of Tax (Rs)	Revised annual Rate of Tax
(a)	Vehicle having seating capacity of not more than three persons.	500	Tax rate depends upon the engine power of the vehicle, as detailed in below-mentioned section, irrespective of the seating capacity
(b)	Vehicle having seating capacity of more than three persons but not more than six persons -		
	(i) with engine power up to 1000 cc;	15,000 (only at the time of registration)	In case of registration - Rs 20,000 In case of transfer (within 10 years) – Rs 20,000 as reduced by rebate of 10% for each financial year
	(ii) with engine power exceeding 1000cc but not exceeding 1300 cc.	1,800	0.2% of invoice value
	(iii) with engine power exceeding 1300cc but not exceeding 1500 cc.	6,000	
	(iv) with engine power exceeding 1500cc but not exceeding 2000 cc.	9,000	
	(v) with engine power exceeding 2000cc but not exceeding 2500 cc.	12,000	0.3% of invoice value
	(vi) with engine power exceeding 2500cc.	15,000	
	(vii) three door 4x4 vehicle with engine power exceeding 2500cc.	15,000	
(c)	Vehicle having seating capacity of more than 6 persons –		
	(i) other than buses and station wagons not plying for hire.	2,500 per seat	Tax rate depends upon the engine power of the vehicle, as detailed in above-mentioned section, irrespective of the seating capacity
	(ii) buses and station wagons not plying for hire.	300 per seat	

In cases where the revised annual rate of tax given against clauses (b) and (c) above is less than the substituted rates, the substituted rates would continue to remain applicable.

EXCISE DUTY ON MINERALS (LABOUR WELFARE) ACT, 1967

Excise duty was earlier leviable/ chargeable as a 'cess' on specified minerals dispatched from mines, at the rate not less than Rs 1 or more than Rs 5 per ton, as may be fixed by the Government through notification in the official gazette.

Through the PFA, the range specified for fixation of excise duty by the Government on minerals has been enhanced to "Rs 30 to Rs 50 per ton".

KPK SALES TAX ON SERVICES

COLLECTION AGENT

**[Sections 2(m-i) & 14A of
the KPK Sales Tax on Services Act, 2022]**

The definition of the term 'Collection Agent' has been introduced which means State Bank of Pakistan (SBP) or any other Scheduled Bank or entity licensed or authorized by SBP to transfer money abroad for the specified services.

Policy Board has been empowered to declare any other person or class of persons as collection agent and require collecting full or part of the tax charged and deposit in Government treasury in the manner to be prescribed by the Policy Board. Further, collection agent shall be personally liable for failure to collect, or deposit required tax. Relevant rules are to be prescribed to this effect.

TAX FRAUD

[Section 2(aai)]

The scope of the term 'tax fraud' has been broadened to include failure to declare and pay the tax charged or collected knowingly, dishonestly or fraudulently and without any lawful excuse.

POWERS OF MANAGEMENT COMMITTEE IN ALLOWING INPUT TAX ADJUSTMENT

[Section 16]

The Management Committee has been empowered to allow adjustment of input tax paid under any other law subject to limitation and fixation or re-fixation of the extent of input tax adjustment. These powers have been given overriding effect to any contrary provisions contained in the KPK Services Act.

INPUT TAX CREDIT NOT ALLOWED

[Section 17]

Scope of provisions relating to input tax credit not allowed has been enhanced by restricting the following input tax credits:

- on such goods or services as are liable to sales tax at specific rate or fixed rate or such other rates not based on value or at a rate lesser than standard rate of 15% in case of services or 18% in case of goods, as the case may be;
- on goods in respect of which input tax adjustment is barred under Sales Tax Act, 1990; and
- on services subject to tax under the Islamabad Capital Territory (Tax on Services) Ordinance, 2001.

ORDER OF PENALTY AND DEFAULT SURCHARGE

[Section 27]

Enabling provisions to pass an order for imposition of penalty or default surcharge have been introduced in case where a person:

- fails to file a return;
- files a return or makes payment of tax after due date;
- fails to furnish any information, explanation, documents, record or any other details as may be required under relevant provisions of the Act; or
- fails to comply with the provisions of tax invoice or monitoring or tracking by electronic or other means.

REGISTRATION

[Section 29]

The power of Policy Board with the approval of Government to require any person or class of person to necessarily obtain registration and file return in such form and manner as may be specified in the notification has now been vested with Management Committee.

OFFENCES AND PENALTIES

[Section 53]

New offences and penalties have been introduced as under

SR No.	Offences	Punishment or Penalties	Competent Jurisdiction
4A.	Where any registered person, who after integration of its computerized system of the Authority i.e., through Restaurants Invoice Management System (RIMS) or Invoice Management and Reporting System (IMRS) or any other prescribed system, fails to comply with e-invoicing system or fail to upload invoices on RIMS or IMRS on real-time basis.	Such person shall be liable to pay a penalty of Rs 100,000 or 5% of the tax involved, whichever is higher, for each instance of non-compliance.	Officer of the Authority competent under this Act.
7A.	Where a registered person, a including a person compulsorily registered under this Act, who in non-compliance to the provisions of this Act, fails to produce information / records / documents on receipt of a notice issued by an officer of the Authority, not below the rank of Assistant Collector.	Such person shall be liable to pay a penalty of Rs 200,000 for the first instance of non-compliance – In case of non-compliance for the second time, such person shall be liable to pay a penalty of Rs 500,000 – In case of non-compliance for the third time, such person shall be liable to pay a penalty of Rs 1,000,000	Officer of the Authority competent under this Act.

Scope of the following offence has been revised as under:

SR No.	Previous Offence	Revised Offence
9.	Where a person violates an embargo placed on providing of services or services in connection with recovery of tax.	Where a person violates an embargo placed on providing of services or violates the restrictions imposed vide sealing of business premises in connection with recovery of tax.

DEFAULT SURCHARGE

[Section 54]

The rate of default surcharge has been increased as under:

- at the rate of 24% in place of 12% per annum of amount of tax charged or amount of refund erroneously made; or
- at the rate of 36% in place of 24% per annum of amount of tax evaded.

ACCESS TO PREMISES, STOCKS, ACCOUNTS AND RECORDS

[Section 60]

The power of officers to have free access to the business premises, stocks, accounts and records has been subjected to the prior approval of Collector or Management Committee.

UNPAID AND SHORT PAID AMOUNTS RECOVERABLE WITHOUT NOTICE
[Section 75]

The power has been vested for recovery of tax by attaching bank accounts without prior show cause notice where tax has been charged or collected from the customer or the service recipient but not paid or short paid by the registered person. Such power will be exercised in cases where non/short payment of tax is evident from the records and materials taken into the custody by the authorized officer from the business premises of the registered person. Provided that such attachment shall only be exercised with prior approval of the Collector or Management Committee.

Earlier such powers were restricted to the instance where short payment is indicated in the return of the registered person.

REWARD TO WHISTLEBLOWERS
[Section 92A]

A new concept of whistleblower similar to the one incorporated in Federal Tax Laws has been introduced. The Management Committee has been empowered to sanction reward to whistleblowers with the approval of the Finance Department in cases of reporting of concealment or evasion of tax, tax fraud, corruption or misconduct by officers or officials of the authority subject to the procedure for processing the reward and specifying the apportionment of reward by the Policy Board.

FIRST SCHEDULE – LIST OF SERVICES

Following new classifications and related descriptions of services have been introduced in the First Schedule

Classification	Description
9856.0000	Education services including technical and vocational education services provided by private sector.
9856.1000	Pre-primary education services.
9856.2000	Primary education services.
9856.3000	Lower secondary education services.
9856.4000	Secondary education services.
9856.5000	Upper secondary education services.
9856.6000	Post-secondary non-tertiary education services.
9856.7000	First stage tertiary education services.
9856.8000	Second stage tertiary education services.
9856.9000	Other education and training services and educational support services.
9857.0000	Management services, including fund management and asset management services.

SECOND SCHEDULE – LIST OF TAXABLE SERVICES

Following new categories of taxable services have been introduced:

S#	Description of Services	Headings	Rate of Tax
1.	<p>(v-a) Tax shall be charged on fixed rate basis in respect of wedding/marriage/shaadi halls as per following categories:</p> <p>CATEGORY-A: Where the wedding hall is having a capacity of 500 or above persons and located in a posh area of major city, its rate of fixed tax shall be rupees 25,000 per function.</p> <p>CATEGORY-B: Where the wedding hall is having a capacity of more than 300 but less than 500 persons and located in municipality, its rate of fixed tax shall be rupees 15,000 per function.</p> <p>CATEGORY-C: Where the wedding hall is having a capacity of less than 300 persons and located in suburb or roadside outside main city, its rate of fixed tax shall be rupees 10,000 per function.</p> <p>NOTE: The registered person may opt one of the tax regimes, as specified at under clause (v) and (v-a) above. The existing registered person shall be bound to give his option till 25th June, 2024; provided that the person, liable to be registered in future, shall give such option at the time of registration with the Authority;</p>	9801.0000 9801.1000 9801.2000 9801.3000 9801.4000 9801.5000 9801.6000 9801.7000 9801.8000 9801.9000	Rate as mentioned in 'Description of Services' column
1A.	Services provided by Health Care Centers etc. in private sector.	9821.1000	Five percent (05%) (without input tax adjustment) of the charges (including fixed charges, if any) of such centers or hospital beds/room: Provided that the said charges exceed rupees 10,000/- per day per bed/room.;
29A.	<p>Services provided as facilities for intra-provincial and inter-provincial travel or transportation (including carriage) of persons by road through buses, coaches, coasters, wagon, jeeps, cars, taxies and other motor vehicles primarily meant for passengers' transport or other traveling or transportation services.</p> <p>Clarification: In case of inter-provincial transportation of persons by road through the above means, the value for the purposes of sales tax shall be reduced by 50% where such services originate or terminate in the province</p>	9804.4000 9805.9000	Five percent (05%) without input tax adjustment.
46A.	Management services, including fund and asset management services.	9857.0000	Fifteen Percent (15%);

The rate of tax has been revised for following taxable services:

S#	Description of Services	Headings	Previous Rates	Revised Rates
1.	Services provided or rendered by hotels, motels, guest houses, resorts, accommodation - and/or - food service providing farm -houses, motorway-or-highway-side accommodation - and/or - food provisioning/food servicing or food supply facilities, restaurants (including food service supply chains), ice cream parlors, marriage or wedding halls, marques, lawns, clubs and caterers, suppliers of prepared eatables and drinkables, pandals and shamianas, clubs including such clubs as, though run on mutuality basis, are operated in commercial mode, manner or style, messes, hostels and similar entities, enterprises or undertakings including all such services, facilities, utilities, entertainments, comforts, enjoyments or amusements etc., as are allied, auxiliary or ancillary thereto.	9801.0000 9801.1000 9801.2000 9801.3000 9801.4000 9801.5000 9801.6000 9801.7000 9801.8000 9801.9000	Fifteen Percent (15%)	Thirteen Percent (13%)
13.	Services provided by persons engaged in contractual execution or performance of works (including but not limited to, repair, maintenance, and renovation, upgradation, cleaning, fumigation and decontamination services or janitorial works) or furnishing supplies (excluding transactions involving contractual supply of goods only, without any component of service relating to such goods).	9810.0000 9810.1000 9810.2000 9810.9000 9822.1000 9822.2000 9822.3000	Five Percent (5%) without any input tax adjustment	Fifteen Percent (15%) without any input tax adjustment
20.	Cinematographic production, photographic services, recording services and telecasting or broadcasting services including: a) Film making or film production including drama production whether in serials or otherwise. b) Tele casting or broad casting services (other than TV cable operators). c) Videotape and recording services, sound recording services. TV/Radio production house services. d) Photographic services (services of photography or photographers). e) Other similar, allied, ancillary or auxiliary services. Exemption: Full exemption on telecasting or broad casting services of and by government-owned TV or Radio stations or channels (this exemption shall not be construed to cover any other service or services including advertisements taxable under this Schedule).	9803.0000 9803.1000 9803.2000 9803.3000 9803.4000 9803.5000 9803.9000	One Percent (1%) without any input tax adjustment	Two Percent (2%) without any input tax adjustment
21.	Event management services whether covering all or any of the processes like planning, budgeting, scheduling, site selection, acquiring necessary permits, coordinating transportation and parking, arranging for speakers or entertainers, arranging decor, event security, catering, picturing, video filming, musical enjoyment so or any other allied or connected task.	9846.0000	Eight Percent (8%) without any input tax adjustment	Ten Percent (10%) without any input tax adjustment
22.	Exhibition, convention or carnival services and allied services including renting of purpose-specific property or space for such events.	9825.0000	Eight Percent (8%) without any input tax adjustment	Five Percent (5%) without any input tax adjustment
34.	Services provided or rendered by under writers including sponsorship services.	9819.1100	One Percent (1%) without any input tax adjustment	Two Percent (2%) without any input tax adjustment

S#	Description of Services	Headings	Previous Rates	Revised Rates
36.	Services provided or rendered by auctioneers.	9819.9100	One Percent (1%) without any input tax adjustment	Two Percent (2%) without any input tax adjustment
39.	Services provided or rendered in respect of quality assurance, quality control, quality inspection (including pre-inspection), quality verification or certification including verification or certification of quality or standards under ISO regime.	9834.0000	One Percent (1%) without any input tax adjustment	Two Percent (2%) without any input tax adjustment
41.	Ride-hailing or ride-hail services like Uber, Cream, Biker and Lyft etc. regardless of the mode, manner or dynamics of the business system involved in such services.	9851.0000	Two Percent (2%) without input tax adjustment	Five Percent (5%) without input tax adjustment
44.	Services relating to or in respect of the installation, erection, commissioning or other permanent structure-affixed/linked/tied placement (whether full or in part) of any industrial, mechanical or electrical plant, machinery or equipment (excluding installation of domestic equipments etc. for residential use).	9853.0000	One Percent (1%) without any input tax adjustment	Two Percent (2%) without any input tax adjustment

Fixed rate of tax/ reduced rate of tax is introduced in respect of following taxable services:

Sr#	Description of Services	Headings
5.	Fixed Rate of Tax: The Custom Agent shall pay tax at the fixed rate of rupees 3,000/- per goods declaration.	9806.0000, 9806.1000, 9806.2000 9806.3000, 9806.4000, 9806.6000 9806.7000, 9806.8000, 9806.9000 9819.1000, 9819.1500, 9842.0000
19.	Fixed Rate of Tax: In case of practitioners, professionals, consultants or advisors of legal profession or field, rupees five hundred (500) shall be deposited as fixed sales tax at the time of filing of each case, appeal or petition and proof of which shall be attached with the Power of Attorney;	9816.0000, 9816.1000, 9816.2000 9816.3000, 9816.4000, 9816.5000 9816.6000, 9816.9000, 9826.0000
26.	Reduced Rate of Tax: In case of health insurance services and services in respect of Government sponsored Sehat Card Plus Programme, the tax shall be charged at the rate of Ten percent (10%) without any input adjustment	9814.0000, 9814.1000, 9814.2000 9814.3000, 9814.4000, 9814.9000

Following entries are substituted as under:

Sr#	Previous Entry	Substituted Entry	Headings
1.	Exemptions and Reduced Tax Rates: (iii) Services provided or rendered by local non-corporate stand-alone hotels or chains of such hotels (including guest houses, clubs and lodges etc.) and restaurants shall be charged to tax at the rate of Eight Percent (8%) without input tax adjustment; provided that where in any case of such restaurant, the Restaurant Invoice Management System (RIMS) is installed and working properly on regular basis, the rate of tax shall be further reduced to Five Percent (5%) without any input tax adjustment: Provided that in case of traditional type restaurants usually called as dhaba or conventional hut-type or similar other road/street side non-air-conditioned restaurants usually serving limited range of precooked or pre-prepared food items with informal seating environment (located or operating anywhere in the tariff areas of the Province) the tax shall be charged and paid at the rate of One Percent (1%).	Exemptions and Reduced Tax Rates: (iii) Services provided or rendered by local non-corporate stand-alone hotels or chains of such hotels (including guest houses, clubs and lodges etc.) and restaurants shall be charged to tax at the rate of six percent (06%) without input tax adjustment; provided that the Restaurants Invoice Management System (RIMS) shall compulsorily installed and working properly on regular basis on all restaurants registered with the Authority: Provided that in case of traditional type restaurants, usually called as dhaba or conventional hut-type or similar other road/street side non-air-conditioned restaurants usually serving limited range of precooked or pre-prepared food items with informal seating environment (located or operating anywhere in the tariff areas of the Province) the tax shall be charged and paid at the rate of two percent (02%).	9801.0000 9801.1000 9801.2000 9801.3000 9801.4000 9801.5000 9801.6000 9801.7000 9801.8000 9801.9000
1.	(iv) In case of traditional accommodation facilities like sarrayae or inns or open air over night bed provisioning services generally located or available around or in the vicinity of	In case of traditional accommodation facilities like sarrayae or inns or open air over night bed provisioning services generally located or available around or in	9801.0000 9801.1000 9801.2000 9801.3000

Sr#	Previous Entry	Substituted Entry	Headings
	railway stations, bus or wagon stands (stations), the rate of tax shall be one percent (1%) without any input tax adjustment if the charges for overnight stay do not exceed rupees three hundred per bed.	the vicinity of railway stations, bus or wagon stands (stations), the rate of tax shall be two percent (02%) without any input tax adjustment if the charges for overnight stay do not exceed rupees three hundred per bed.	9801.4000 9801.5000 9801.6000 9801.7000 9801.8000 9801.9000
1.	(v) In case of marriage or wedding halls including pandals and shamiana and similar other businesses including food services provided therein, the rate of tax shall be eight percent (8%) without any input tax adjustment.	(v) In case of marriage or wedding halls including pandals and shamiana and similar other businesses including food services provided therein, the rate of tax shall be five percent (5%) without any input tax adjustment.	9801.0000 9801.1000 9801.2000 9801.3000 9801.4000 9801.5000 9801.6000 9801.7000 9801.8000 9801.9000
6.	Reduced Rate of Tax: In case of advertisements on or through print media of all types and forms, tax shall be charged at the rate of one percent (1%) without any input tax adjustment.	Reduced Rate of Tax: In case of advertisements on or through print media of all types and forms, tax shall be charged at the rate of two percent (2%) without any input tax adjustment.	9802.0000 9802.1000 9802.2000 9802.3000 9802.4000 9802.5000 9802.6000 9802.7000 9802.8000 9802.9000 9806.5000
27.	Reduced Rate of Tax: The tax on cold storage services (including other forms of warehousing of agriculture produce) regardless of their corporate or non-corporate status shall be charged at the rate of one percent (1%) without any input tax adjustment.	Reduced Rate of Tax: The tax on cold storage services (including other forms of warehousing of agriculture produce) regardless of their corporate or non-corporate status shall be charged at the rate of two percent (1%) without any input tax adjustment.	9844.0000

KPK – OTHER LAWS

KPK URBAN IMMOVABLE PROPERTY TAX

[The West Pakistan Urban Immovable Property Tax Act, 1958]

DUE DATE FOR PAYMENT OF ADVANCE TAX TO AVAIL REBATE @ 20%

[Section 3(2a)]

Due date for advance payment of tax assessed in respect of urban immovable property has been changed from 31st day of December to 31st day of July for availing rebate of 20%.

EXEMPTIONS

[Section 4]

- (i) Exemption has been extended to residential buildings with area up to 4.9 Marlas from earlier limit of area upto 3 Marlas.
- (ii) Exemption provided to industrial units within jurisdiction of Khyber Pakhtunkhwa EZMIC has been withdrawn.

RATES OF TAX ON RESIDENTIAL AND COMMERCIAL IMMOVABLE PROPERTIES

[Schedules I & II]

Rates of tax on residential and commercial immovable properties have been revised.

KPK MOTOR VEHICLE TAX

[The West Pakistan Motor Vehicles Taxation Act, 1958]

TAX ON MOTOR VEHICLES REGISTERED UNDER THE PROVINCIAL MOTOR VEHICLES ORDINANCE, 1965

[Section 3]

The tax in respect of motor vehicles registered under the Provincial Motor Vehicles Ordinance, 1965 shall only be paid to Registering Authorities as defined in the said Ordinance or their designated offices in KPK and the tax paid in any other province or area in the country, including Islamabad Capital Territory, shall be recoverable as arrears of land from the owner of motor vehicle.

REVISION OF MOTOR VEHICLE TAX SCHEDULE

[Schedule]

The Schedule of tax on motor vehicles has also been revised.

KPK ELECTRICITY DUTY

[The West Pakistan Finance Act, 1964]

ELECTRICITY DUTY

[Fifth Schedule]

The rate of electricity duty on the amount of the variable charges or the supply charges worked out according to electricity tariff on energy supplied to Industrial/Commercial Undertaking with generating capacity above 500 Kilo Volt Ampere for Self-Use has been enhanced from 3 (Three) Paisa per unit (Kilo Watt Hour) of energy generated/consumed to Six (6) Paisa per unit (Kilo Watt Hour) of energy generated/consumed.

KPK MOTOR VEHICLES REGISTRATION
[The Provincial Motor Vehicles Ordinance, 1965]

PENALTY IN DEFAULT OF REGISTRATION
[Section 23-A]

Penalties for delayed registration of locally purchased / imported motor vehicle have been revised.

MOVING / PARKING VIOLATIONS
[Twelfth Schedule]

Penalties on moving and parking violations have also been revised.

KPK – REGISTRATION OF REAL ESTATE AGENTS AND MOTOR VEHICLE DEALERS
[The Khyber Pakhtunkhwa Real Estate Agents and Motor Vehicles Dealers (Regulation of Business) Ordinance, 1983]

FEE FOR REGISTRATION AND ITS RENEWAL
[Section 6A]

One time registration fee of Rs 20,000 and annual renewal fee of Rs 15,000 has been introduced for obtaining the certificate of registration / renewal to engage in or carry on the business of real estate agent or a motor vehicle dealer.

KPK - TOBACCO DEVELOPMENT CESS
[The Khyber Pakhtunkhwa Finance Act, 1996]

TOBACCO DEVELOPMENT CESS
[Section 11]

The rate of Tobacco Development Cess on the transportation of different categories of tobacco and its various parts is revised as under:

Description	Previous	Revised
for Virginia (Flue-Cured, Barley and Dark-Air-Cured)	Rs 6 / Kg	Rs 50/Kg or 3% of invoice value, whichever is higher
for White Patta /Rustica Tobacco including Khaka, Khara and Rorh made of main stalk (Dandi) and stem of tobacco	Rs 3 / Kg	Rs 30/Kg or 3% of invoice value, whichever is higher
for Snuff	Rs 2.5 / Kg	Rs 7.5/Kg or 3% of invoice value, whichever is higher

KPK - LAND AND AGRICULTURAL INCOME TAX**[The Khyber Pakhtunkhwa Land Tax and Agriculture Income Tax Ordinance, 2000]****RATE OF LAND TAX****[First Schedule]**

The rates of land tax have been revised as under:

S. No.	Kind/Area of Land	Previous rate Per Acre	Revised rate Per Acre
1.	Slab of total cultivated land, computed as Irrigated land, by treating one irrigated Acre as equal to three un-irrigated acres, excluding orchards:		
	(i) Not exceeding 1 acre;	Exempted	Exempted
	(ii) upto 12 ½ acres; and	Rs 225	Rs 300 per Acre or part thereof
	(iii) Above 12 ½ acre.	Rs 340	Rs 3,750 + Rs 500 per Acre or part thereof, of the land exceeding 12½ Acres
2.	Orchard		
	upto 1 Acre	Rs 900	Rs 1,000
	1 Acres to 5 Acres	Rs 900	Rs 2,000 per Acre or part thereof
	5 Acres to 12 ½	Rs 900	Rs 9,000 + Rs 3,000 per Acre or part thereof the land (Orchard) exceeding 5 Acre
	Above 12 ½ Acres	Rs 900	Rs 31,500 + Rs 4,000 per Acre or part thereof, of the land (Orchard) exceeding 12½ Acres

KPK - TAX ON CAPITAL VALUE OF IMMOVABLE PROPERTY**[The Khyber Pakhtunkhwa Finance Act, 2010]****RATE OF TAX****[Section 2]**

The rate of tax on immovable property where the value of the immovable property is recorded has been reduced from 2% to 1%.

KPK – ROYALTIES ON MINERALS**[The Khyber Pakhtunkhwa Mines and Minerals Act, 2017]****ROYALTIES ON MINERALS****[Sections 4 & 5]**

The KPK Mineral Investment Facilitation Authority (Authority) was previously responsible to review and recommend to the Government the rates of royalties to be notified by the Government.

Through the KPK Finance Act, the Authority has been empowered to review and recommend the rates of royalties on minerals specified in 'Schedule IV-A' to the Government through Mineral Development Department of Government.

STAMP DUTY
[The Stamp Act, 1899]

STAMP DUTY ON ALLOTMENT ORDER OR TRANSFER OF ALLOTMENT ORDER
[Article 6A, Schedule I]

Rate of stamp duty on allotment order or transfer of allotment order has been rationalized at two percent (2%) of the value of the plot as per Valuation Table of the Federal Board of Revenue (FBR) or Deputy Commissioner, whichever is higher in contrast to earlier fixed duty at Rs 1,200 per Marla and Rs 2,000 per Marla for residential and commercial open plots respectively.

CONVEYANCE IN CASE OF AGRICULTURE LAND AND IMMOVABLE PROPERTY IN AN URBAN AREA
[Article 23, Schedule I]

Stamp duty on conveyance in case of agriculture land and immovable property in an urban area has been reduced from Rs 2 to Re 1 for each one hundred rupees or part thereof of the value of land / property.

KPK INFRASTRUCTURE DEVELOPMENT CESS
[The Khyber Pakhtunkhwa Infrastructure Development Cess Act, 2022]

SCOPE OF CESS AND ALLIED MATTERS
[Sections 3 & 5]

Rate of Cess on transportation, carriage or movement of goods has been specified at 2% on transportation, carriage or movement of goods:

- manufactured or produced or traded or consumed in the province at a value as determined by reference to the value under the Sales Tax Act, 1990 from the date notified by the Government; and
- imported into or exported out of or transited through the province at a value as determined for purposes of the Customs Act.

Consequently, provisions relating to the manner and time of payment of Cess in case of goods transited through the province have been omitted.

KPK EXCISE DUTY ON UN-MANUFACTURED TOBACCO
[The Khyber Pakhtunkhwa Provincial Excise Duty (Un-manufactured Tobacco) Act, 2024]

Through the KPK Provincial Excise Duty (Un-manufactured Tobacco) Act, 2024; a provincial excise duty has been imposed on unmanufactured tobacco produced in the KPK province to increase provincial revenues and reduce the use of tobacco.

Since the Federal Excise Duty has already been levied on tobacco, cigarettes and allied items by the Federation, the imposition of excise duty by the province may lead to constitutional issues.

LEVY AND COLLECTION OF EXCISE DUTY
[Section 3]

The excise duty has been imposed on un-manufactured tobacco produced within the province of Khyber Pakhtunkhwa at the rate of Rs 50 / Kg which is payable at the time of removal of the un-manufactured tobacco from the Green Leaf Threshing Unit.

REGISTRATION AND LICENSING
[Section 4]

Every Green Leaf Threshing Unit is required to get itself registered with and obtain license from Directorate General, Excise, Taxation and Narcotics Control, Khyber Pakhtunkhwa. The manner of registration and the conditions for issuance of license are to be prescribed by the Government.

RECORDS AND RETURNS
[Section 5]

Every Green Leaf Threshing Unit shall maintain the specified records (which will be open for inspection) and is required to submit returns in the manner as may be prescribed.

APPEALS AND REFERENCES
[Section 6]

Any person aggrieved with the order of the District Officer, Regional Director and Director General may file an appeal before the Regional Director, Director General and Secretary respectively within 30 days in the prescribed manner. The decision of the Secretary shall be final. However, a reference to the High Court can be filed on a question of law.

PENALTY, COERCIVE MEASURES AND REMOVAL OF GOODS
[Sections 3 & 7]

A penalty shall be levied twice the amount of excise duty on failure to pay excise duty within 30 days of recovery notice in addition to the principal amount.

In case of non-payment of any amount payable within 30 days of the recovery notice, the District Officer may

- seize, confiscate and auction the un-manufactured tobacco; and
- seal the Green Leaf Threshing Unit till the recovery of due amount.

No un-manufactured tobacco shall be removed outside the province till the payment of excise duty by the Green Leaf Threshing Unit.

BALUCHISTAN FINANCE ACT

Baluchistan Sales Tax on Services

INADMISSIBILITY OF INPUT TAX OF SERVICES RECEIVED FROM UNREGISTERED PERSON AND INACTIVE PERSON

[Section 16B]

The Baluchistan Finance Act ('BFA') restricts claim of input tax credit to a registered person, relating to:

- the services received, acquired or procured from a person who is liable to be registered under this Act but is not actually registered or who does not hold registration number.

This restriction is deemed to be and shall always be deemed to have validly added on and from the first day of July 2015 notwithstanding anything contained in this Act or any law for the time being in force or any judgment, decree or order of any Court.

- the goods, or services received, acquired or procured from a person who is not an active tax payer under this Act or under the Sales Tax Act, 1990 or under any provincial law relating to sales tax.

STANDARD RATE OPTION GIVEN IN RESPECT OF REDUCED TAX RATE SERVICES

[Section 16D]

The BFA provides a registered person chargeable to tax at reduced rate the option to pay sales tax at standard or general rate with input tax adjustment after obtaining permission from the Authority. In case of companies, the option is irrevocable and should be obtained at least one month in advance. In other cases, switch over back to availing the reduced rate of tax is subject to prior permission of the Authority without the adjustment of brought forward input tax credit.

The Authority is also empowered to withdraw the permission granted after issuing show cause notice and affording opportunity of hearing in the case.

REFUND

[Section 16E]

The BFA has now provided the provisions for claim of refund of tax paid or overpaid through inadvertence, error, misconstruction. It is also provided that the refund claim shall be made within one year of date of payment whereas no refund shall be admissible if incidence of tax has been passed directly or indirectly to the consumer.

The manner and mode of payment is to be prescribed by the Government.

EXPLANATION ON MINIMUM TAX LIABILITY

[Section 24(1A)]

Through Finance Act, 2023, the provisions relating to the determination of minimum tax liability were provided where a registered person fails to file the return for a tax period by the due date or where the registered person fails to furnish any information, explanation, documents, record or any other details as may be required.

The BFA has now provided an explanation that the determination of minimum tax liability for a tax period shall not be the final tax liability and the registered person shall be liable to discharge his actual liability, as it may accrue or may be determined as a result of audit or special audit or forensic audit.

AUTOMATIC REGISTRATION ***[Section 26A]***

The BFA has introduced the concept of automatic registration for taxpayers already registered with the Federal Board of Revenue for the purposes of Sales Tax / Federal Excise Duty and providing taxable services in Balochistan. Intimation of the automatic registration will be made through email or SMS, and by courier or post and a prefix 'B' will be added to the NTN issued by the FBR.

ACTIVE TAXPAYER LIST ***[Section 29B]***

The BFA has empowered the Authority to prepare and maintain active taxpayers list in such manner as it may deem appropriate and also to make rules to provide for restrictions and limitations to be imposed on any person who ceases to be an active taxpayer or any person who receives or procures any taxable service from a person who has ceased to be an active taxpayer.

PENALTIES AND PROSECUTION ***[Section 48]***

The BFA has extended the penalty for failure to make an application for registration to withholding agents also.

Before amendment, penalty was provided where any person violates any embargo placed on providing of service in connection with recovery of the tax. Through the BFA, the penalty will now be imposed where a person violates any embargo placed on the economic activity of that person or tampers with the seal placed on the business premises in connection with the recovery of tax.

The following new penalties have been provided:

<i>OFFENCE</i>	<i>PENALTY AND PROSECUTION</i>
Where any person fails to intimate any change in particulars of registration, including the particulars relating to business address, business bank accounts, economic activity etc., in accordance with the requirements, prescribed under the rules, within a period of fifteen days from the date of such change.	Such person shall be liable to a penalty which may extend to Rs 100,000 subject to a minimum penalty of Rs 10,000.
Where a bank fails to attach or delays in attaching the bank account of the person from whom tax is sought to be recovered or fails or delays in payment of the amount, specified in the notice issued by the Officer of the Authority.	Through the BFA, penalty has been prescribed at higher of Rs. 100,000 or an amount double of the amount of tax sought to be recovered. The Manager or the Officer in charge of such bank shall further be liable, upon conviction by the Special Judge the imprisonment which may extend to 1 year or with fine which may extend to of tax sought to be recovered.
Where any person contravenes any of the rules or notifications issues in relation to withholding or deduction of tax so withheld or deducted.	Penalty of Rs 50,000 or an amount equal to the tax involved whichever is higher. Such person shall further be liable, upon conviction by a Special Judge to imprisonment which may extend to 1 year or with fine equal to the amount of tax, or both.

OBLIGATION TO PRODUCE DOCUMENTS AND PROVIDE INFORMATION ***[Section 57]***

The BFA has provided to include banking company in the list of persons from whom the tax officer or the Authority conducting an audit, enquiry, investigation or otherwise may require in writing to furnish any information as is held by that person.

POWER TO CALL FOR INFORMATION
[Section 57A]

The BFA has empowered the Commissioner to require, by notice in writing, any person, including a banking company, to furnish such information or such statement in connection with any investigation or inquiry in cases of tax fraud, as may be specified in such notice. The Commissioner is also empowered to require any regulatory authority to provide information concerning the licenses and authorizations issued by it.

INCREASE IN APPEAL FILING FEE
[Section 63]

The BFA has increased the appeal filing fee as under:

- from Rs 2,000 to Rs 10,000 in case of a company
- from Rs 1,000 to Rs 3,000 in case other than a company

RECOVERY OF TAX THROUGH SELLING OF MOVABLE OR IMMOVABLE PROPERTY
[Section 72]

Before amendment, the officer of the Authority was empowered to attach and sell any movable or immovable property of the person from whom the tax is due. It is now provided that the officer is empowered to sell the property without attachment.

**APPROVAL OF GOVERNMENT FOR RESTRICTING ISSUANCE
 OF LICENSE / PERMISSION**
[Section 78A]

Before amendment, the Authority with the approval of the Government was empowered to restrict any competent authority from issuing or renewing a license or permission to any person to engage in an economic activity which is a taxable service. The BFA has omitted the condition for approval from Government to exercise such powers.

ELECTRONIC SERVICE OF ORDERS AND DECISIONS
[Section 80]

In the modes of service of orders and decisions, mode of electronically service through e-mail or to the e-folder maintained for the purposes of e-filing of returns by the registered person is being added through the BFA.

Before amendment, an option was available to a registered person to electronically receive all or specific communications, including notifications, orders, assessments. This provision has now been omitted and it is now provided that a registered person shall be deemed to have received the notice, order or requisition electronically at the expiry of 72 hours of sending the same through e-mail or to the e- folder maintained for the purposes of his e-filing of returns.

ISSUANCE OF DUPLICATE OF SALES TAX DOCUMENTS
[Section 82]

A registered person can now obtain attested duplicate of any document filed by that person with the officer of the Authority or any notice or order issued against that person, on payment of Rs 1,000 per document or Rs 250 per page of such document, whichever is higher.

DELEGATION OF FUNCTIONS AND POWERS BY THE AUTHORITY
[Section 86A]

Through the BFA, the Authority is now empowered, subject to such conditions and limitations as it may deem appropriate, to delegate, to its chairman or a member or to an officer of the Authority, any of its functions and powers as assigned to it under this Act.

Balochistan – Other Laws

BALUCHISTAN DEVELOPMENT AND MAINTENANCE OF INFRASTRUCTURE CESS ACT, 2021

DEFINITIONS [Section 2]

Following definitions have been introduced in section 2 of the Balochistan Development and Maintenance of Infrastructure Cess Act, 2021:

Clause (ii)	"FBR" means Federal Board of Revenue, established under the Federal Board of Revenue Act, 2007 (IV of 2007);"
Clause (kk)	"Infrastructure" means roads, streets, bridges, culverts, lights on passages, planation on passages, public parks, places of public recreation and convenience, eating places, landscape, forests, fisheries, delta conservation, lake, breeding places of aquatic life, wild life and its sanctuaries, public schools, vocational and technical training centres and projects, libraries, museums and similar institutions controlled and financed by the province, control of traffic for smooth flow and safer movement of goods, public order, police force, patrol for safety of goods, street lights, stands for loading and unloading of goods, parking places, markets, water supply, hospitals, dispensaries, medical emergency response centres 122 and development, improvement maintenance and protection of such matters;"
Clause (oo)	"PSW" means Pakistan Single Window established under the Pakistan Single Window Act, 2021 (Act III of 2021);"
The existing clause (s) has been renamed as (ss) and the new clause (s) has been inserted	Sales Tax Act" means the Balochistan Sales Tax Act, 2015 (Act VI of 2015);"
Clause (sss)	Trade Organization" means Chamber of Commerce & Industries, Chamber of small Traders, Association of small traders, Women's Chamber, and Town Association licensed under Trade Organization Act, 2013

SCOPE OF CESS AND ALLIED MATTERS [SECTION 3 OF THE ACT]

Earlier, the Cess was levied on goods for carriage by road and smooth and safer movement in the of Balochistan Province upon entering or before leaving the Province from or for outside the country, through rail or road or air or sea.

An amendment is made to specify the goods which are subject to the levy under the Act. The transportation of the following categories of goods through rail or road or air or sea has been included:

- (a) manufactured or produced in;
- (b) traded or consumed in;
- (c) imported into or goods exported out of; or
- (d) through pipeline transportation including slurry pipeline.

Further, the Government has been empowered to specify a rate or rates for the goods manufactured or produced in the province or for specific class or category of goods.

PAYMENT OF CESS
[Section 5 of the Act]

The section 5 of the Act is substituted. Earlier, in case of goods entering or leaving the Province from or for outside the country the cess was payable in the same manner and at the same time as it were a custom duty regardless whether or not the goods are liable to such duty. Through the FA, the cess will now be levied on goods transported into or transported out of the Province, whether after or before their transportation, carriage or movement therein in the same manner as was earlier prescribed.

Further, the following additional provisions have been added:

- i) In case of goods manufactured, produced or goods otherwise traded for consumption in the Province, cess shall be payable as if it were a sales tax payable under the Sales Tax Act. Where sales tax is not payable on such goods, the cess shall be payable in such manner and at such time as may be prescribed.
- ii) In case of goods transited through the Province, the cess shall be collected and paid in such manner and at such time as may be prescribed.

EXTENT OF RELEVANCY OF OTHER APPLICABLE LAWS
[Section 8A of the Act]

A new section 8A has been added to give effect to the provisions of the Customs Act and Sales Tax Act for the collection of Cess and in respect of the matters pertaining to-

- (a) manner, time and mode of payment;
- (b) declarations, processing and management thereof;
- (c) keeping of records, accounts and documents;
- (d) enforcement including recovery and adjudication and appeals;
- (e) detention, seizure and confiscation of goods;
- (f) penalties and prosecution; and
- (g) all other allied and ancillary matters

ASSUMPTION AND EXERCISE OF JURISDICTION BY THE AUTHORITY
[Section 13 of the Act]

The provisions of section 13 have been amended to expressly allow the Authority to take following measures / actions in respect of cess, including default surcharge and penalty, in so far as such action or measure relates to-

- (a) assessment or determination of any non-paid or short paid amount of payable Cess;
- (b) calling of or collecting information, access to records, accounts and other relevant documents;
- (c) audit and investigation;
- (d) summoning of persons and recording of statements and evidences;
- (e) recovery of defaulted amounts and arrears;
- (f) tax fraud deemed as fraud with respect to non-payment or evasion of Cess;
- (g) arrest and prosecution; and
- (h) all other allied or ancillary matters

Further, the Authority is also empowered to recover any sum due on account of the tax levied under section 3 or as a penalty imposed under this Act if the same is not paid within the time allowed for its payment. The amount shall be recovered in the manner prescribed under the Laws of the Balochistan Revenue Authority but not limited to Balochistan Sales Tax on Services Act, 2015 and rules and regulations or procedures made thereunder.

SEIZURE AND CONFISCATION OF GOODS AND VEHICLES AND MATTERS RELATING THERETO

[Section 13A of the Act]

A new Section 13A has been introduced whereby the authorized officer is empowered to check, inspect, detain, seize or confiscate any goods or vehicle, carrying goods in or within the Province, if there is a reasonable doubt or belief that the cess, due and payable thereon, has not been paid or has been underpaid provided that a reasonable opportunity is required to be given to the owner of the goods or the person in-charge of the vehicle to prove through documents in his possession that the cess due has been paid.

For that purpose, a show cause notice is also required to be given to the owner or the person in-charge of the goods to explain his position and a reasonable opportunity is required to be given. The provisions of this Act / Rules / Regulations regarding revision and appeals are also applicable in the instant case.

The goods or vehicles, confiscated under this Act, shall be disposed of through open or public auction after prior permission from the Authority and the sale proceeds shall be utilized sequentially for the purposes stated below:

- (a) recovery of payable cess, default surcharge and penalty to be deposited in the relevant head of account;
- (b) recoupment of all expenses incurred on auction;
- (c) settlement of bonafide claims, if any, lodged by any other Government department or institution for recovery from the owner; and
- (d) balance proceeds, if any, to be paid to the owner against proper receipt.

Further, a vehicle seized under this Act can be temporarily released against a bank guarantee, covering the value of the vehicle in the manner specified by the Authority and every such bank guarantee shall be encashable, in case the vehicle is not surrendered on its confiscation under this Act or otherwise.

It is also mentioned that perishable goods and the vehicle carrying the goods shall not be seized or confiscated under any circumstances and recovery of unpaid cess shall be made by detaining the original registration documents of such vehicles and such detained documents shall be released within twenty-four hours of the discharge of all the cess liabilities.

INTER-SYSTEM CONNECTIVITY

[Section 15A of the Act]

Certain provisions have been introduced for real time connectivity of its computerized system with the system of FBR, PSW or any other department, organization, institution etc. of Government or Federal Government

POWERS TO MAKE REGULATIONS
[Section 16A of the Act]

Certain provisions have been introduced to empower the Authority to make regulations in respect of the matters relating to the-

- (a) establishment of check posts and Cess facilitation and service centers and management and operations thereof;
- (b) mobile checking squads and management thereof;
- (c) enforcement and audit;
- (d) storage or warehousing of detained or seized goods and vehicles;
- (e) auction of confiscated goods and vehicles including registrations of auctioneers;
- (f) provisional release of seized vehicles against bank guarantees; and
- (g) any other allied or ancillary matter.

Further, the Authority has been empowered to issue general orders, circulars or instructions, directions or clarifications for the operational purposes of this Act and the rules or regulations issued thereunder.

BALUCHISTAN URBAN IMMOVABLE PROPERTY TAX ACT, 1958

Under section 3 of the Act, the Baluchistan Government has powers to notify specific urban areas where Immovable property tax shall be levied under the Act. It has been provided that every notified urban area under the Baluchistan Local Government Act, 2010 would be the rating area within the meaning of the Act.