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***AMENDMENTS ENACTED BY
FINANCE ACT, 2025
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The Federal Government presented Finance Bill, 2025 (**'FB'**) in the National Assembly on June 10, 2025. After debate in the Senate and National Assembly, the Government has passed Finance Act, 2025 (**'FA'**) on June 26, 2025 with certain modifications / amendments made in FB. The amendments made in the fiscal laws by the FA are made effective from July 1, 2025 unless otherwise specified. This Memorandum summarises major amendments made in FB whilst passing FA.

INCOME TAX

1. The proposal to omit exemptions relating to withdrawal from Approved Pension Funds has been dropped.
2. The proposal to withdraw exemption relating to pension and annuity from former employer has been approved and consequently, such amounts have become taxable with effect from July 1, 2025 under final tax regime at a reduced rate. Commutation of pension will, however, remain exempt from tax.
3. The Commissioner is now empowered to issue full exemption certificate to public limited companies (as compared with existing powers to issue a reduced rate certificate upto 50% of the applicable withholding tax rate).
4. The concept of ineligible persons barring them to undertake certain economic transactions as proposed through FB has been adopted whereas the bar proposed on ineligible persons to open / maintain bank accounts has been withdrawn. Furthermore, a (new) 'Fifteenth Schedule' has been inserted in the Ordinance prescribing thresholds and other conditions relating to its applicability. These provisions shall take effect from the date which the Federal Government specify by way of an official gazette.
5. The FB earlier proposed to altogether omit the time limitation of 180 days prescribed to pass an amendment assessment order from the date of issuance of a show cause notice. Through FA, the time limit has been enhanced from 180 days to 1 year.
6. The Commissioner has been empowered through FA to allow exemption to a seller from withholding tax on sale of immovable property where such property was held by the seller for at least 15 years, was duly declared in wealth statements filed and was also being used by the seller for his personal use during those years. This exemption is, however, available only once in 15 years. Furthermore, such disposal would be excluded from the applicability of Super Tax under section 4C.
7. Corporate entity being a recipient of dividend relating to the component of income earned by mutual funds from debt securities shall be taxed at the corporate tax rate of 29%.
8. Rate of withholding income tax on payments for digital transactions in E-commerce platforms is now prescribed at 1% for digital means or banking channels and 2% for Cash on Delivery Transactions.

9. All of the Non-Profit Organisations (NPOs) mentioned in Table 1 of Clause (66) were proposed through FB to be subjected to conditions of section 100C. Through FA, unconditional exemption for certain NPOs has been restored by placing them under Clause (57).
10. The concept of minimum fair market rent for commercial properties proposed through FB to be introduced has been withdrawn.
11. The FB proposed to disallow 10% of the claimed expenditure attributable to purchases from persons who are not National Tax Number holders, except for agricultural products directly purchased from growers. Amendment through FA in the said clause now provides that such disallowance will be made only in case of purchase of agricultural produce from the middleman.
12. Provisions introduced through Tax Laws (Amendments) Ordinance 2025 for immediate recovery on issues decided in favour of Tax Department have been rationalised. Now, such recovery may be made only when the issue has been decided by at least 3 appellate forums (including the High Court) and the amount of tax also exceeds Rs. 200 million. It has further been provided that the amount of tax recovery shall be the lowest amount of demand confirmed by any of the 3 appellate forums. However, the proposal through FB to issue at least 7 days' prior notice has been withdrawn.
13. The higher rate of CGT of 20% prescribed through FB for non-resident investors investing in debt instruments and Government securities through Special Convertible Rupee Accounts was proposed to be applicable for holding period of less than 12 months. As per FA, such higher rate will apply for holding period of less than 6 months.
14. The FB proposed to enhance the rate of tax deduction from 15% to 20% on yield or profit received by a person from a banking company or financial institution on an account or deposit maintained with such company or institution. Through FA, the increased rate of 20% has now been also made applicable to profit or yield received by a person (other than individuals) from government securities (other than National Savings etc.) which will also be final tax for AOPs earning profit-on-debt upto Rs. 5 million.
15. Tax withholding rates applicable on purchase of immovable property by persons not appearing in the Active Taxpayers List have been reduced whereas the rates applicable on sale of immovable property by such persons has been enhanced.
16. Penalty proposed in FB for an online marketplace allowing an unregistered vendor (required to obtain sales tax as well as income tax registration) to operate on its platform has been withdrawn.

SALES TAX

17. The Abettor now means a person who **intentionally** abets or connives in tax fraud. Further, certain specific instance earlier covered therein, relating to misusing the login credentials and obtaining sales tax registration for paper transactions, have been excluded.
18. Food delivery platforms and e-commerce delivery service providers, earlier proposed to be included in definition of 'courier', are now excluded from the purview thereof meaning thereby that they are not liable to collect and pay sales tax in case of supply of digitally ordered taxable goods.

19. FB proposed sales tax withholding by payment intermediary and courier at the rate of 2% of value of supplies, which was proposed to be deemed as final tax, without any adjustment of input tax. It has now been provided that such final taxation would apply only on cottage industry and retailers (other than tier-I retailers). As a result, such persons are not required to be registered for sales tax purposes for selling their goods through e-commerce platform, provided that they hold NTN.
20. Before permanently barring a person's bank account due to non-registration, the Commissioner is now required to firstly suspend the account operations intermittently 3 times. Each suspension would last for 3 working days, with a one-week interval between each suspension. This action may be taken only if the Commissioner believes the person is supplying taxable goods without registration under the Sales Tax Act and has ignored 3 opportunities to register.
21. The FA provides that if a person does not obtain registration within 15 days after suspension of bank accounts, the Chief Commissioner shall form a committee to address the issue. This committee will issue a notice to the person and offer a personal hearing. The committee will then recommend whether to impose a restriction on transferring immovable property or to lift the restriction on bank account operations. However, the person will be given an additional 15 days to secure registration before the recommendation to impose the restriction is made.
22. Penalties, presently specified under the Sales Tax Act in respect of non-integration by Tier-1 retailers, have been extended to all registered persons which are required to be integrated but fail to do so.
23. Penalties / prosecution earlier proposed for committing tax fraud, abetting or conniving to commit tax fraud and failure on part of online marketplace to file monthly statement have been reduced / rationalised.
24. Power to arrest a person accused of tax fraud or subject to prosecution have been further rationalised. Now, such person may be arrested, after investigation, only if it is established that:
 - the accused is intentionally or willfully not joining the investigation after 3 duly served notices;
 - the accused is attempting to abscond; or
 - there are sufficient grounds that the accused would temper with the evidence.
25. The proposal to grant the investigation officer the powers available to a Police officer in-charge of police station under the Code of Criminal Procedure, 1898 has been withdrawn.
26. Explicit powers to arrest CEO and CFO of companies involved in tax frauds have been withdrawn.
27. Through the FB, a committee of members notified by the Board was proposed to be empowered to condone the limitation provided under the Act beyond 2 years only where a significant loss is caused to the 'exchequer'. Through the FA, a significant loss to the 'taxpayer' [in addition to the loss to exchequer] is also listed as a valid reason for condonation of time limitation by the said committee.

FEDERAL EXCISE DUTY

28. Through the Finance Act, 2023, scope of duty was extended to items not previously specified but the persons responsible for payment of such duty were not prescribed. The FB proposed to prescribe the persons responsible for payment of duty on such items. It has now been provided through FA that such persons shall also include 'middleman'.

CUSTOMS DUTY

29. The proposed definitions of "Cargo Tracking System" and "e-bilty" have been rationalised.
30. The threshold (de minimis) for raising demand of duties for goods imported through post or courier, which was proposed to be reduced from import value of Rs 5,000 to Rs 500, has now been set at Rs 1,000.
31. Previously, assessment in case of transshipment of imported goods was required to be made at the port of destination. Now, it shall be done at such place and manner as may be prescribed by the Board.
32. The FB proposed stricter timelines and penalties for goods not cleared, warehoused, transshipped, exported, or removed from the port after unloading or declaration filing which have now been relaxed.
33. The FB proposed that stay against recovery of duty and taxes by the Tribunal shall be subject to furnishing of pay order or bank guarantee not less than 50% of the recoverable amount by the aggrieved person before the registrar of the Tribunal. The FA has reduced the threshold for pay order or bank guarantee from 50% of recoverable amount to 25% of principal amount.
34. Previously, sale / auction of goods (other than confiscated goods) could be made by public auction or by tender or by private officer with the written consent of the owner or his agent. Through FB, it was proposed that such sale / auction may also be made through an authorised agent. This proposal has been withdrawn, and such sale / auction can now only be made through public auction.

DIGITAL PRESENCE PROCEEDS TAX (DPPT)

35. The criteria for determining 'significant digital presence' in Pakistan of a foreign vendor was proposed to inter alia include 5 transactions in a financial year. This has now been replaced with transaction volume of Rs. 1 million in a financial year. Furthermore, the Federal Government is now empowered to exempt any country, any class of goods or services and class of persons from the applicability of DPPT.