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FOR CIRCULATION TO CLIENTS AND STAFF

FOREWORD

Finance Minister Muhammad Aurangzeb presented the Pakistan Muslim League (N) led coalition government budget for the fiscal year 2024-25 on Thursday, June 12, 2024. The PML-N-led coalition has to balance IMF requirements, relief to public and economic growth while securing coalition support. The budget, estimated at over Rs18 trillion, is under IMF scrutiny, especially regarding subsidies and unsanctioned expenditures, as Pakistan is geared up for its 24th bailout with tougher conditions

The economic survey for 2023-24 depicted a 2.4% growth in economy against the target of 3.5%. Despite a lot of political unrest; the Pakistan economy has shown a slight recovery of 0.17% against the contraction in financial year 2023.

Some of the key highlights of the budget 2024-25 are:

- **GST on Tier-1 Textile Retail:** Increased from 15% to 18%.
- **Capital Gains Tax (CGT):**
 - Non-filers: Up to 45%.
 - Filers: Remains at 15%.
- **Income Tax:**
 - Non-salaried individuals: Up to 45%.
 - Salaried individuals: Slabs to change.
 - Income tax exemption maintained up to Rs0.6 million.
- **Federal Board of Revenue (FBR) Target:** Set at Rs12.97 trillion, 38% higher than the previous year.
- **Public Sector Development Programme (PSDP):** Rs1.5 trillion, 101% increase.
- **Energy Conservation:**
 - Rs4 billion for e-bikes.
 - Rs2 billion for energy-saving fans.
- **Remittances Promotion:** Rs86.9 billion allocated.
- **IT Sector:**
 - Rs79 billion allocated.
 - Rs8 billion for an IT park in Karachi.
- **Energy Sector Focus:**
 - Rs253 billion allocated.
 - Reduce transmission and distribution losses.



- Privatisation of 9 DISCOs.
 - Reduce theft.
 - Promote solar, energy, and wind.
- **Benazir Income Support Programme (BISP):** Allocation increased by over 27%.
 - **Pension Reforms:** Three-pronged strategy to reduce pension burden.

The budget makes an effort to maintain fiscal prudence under a new IMF programme, with an expected loan of \$6-8 billion to avoid default amid slow growth. Recent economic improvements and an interest rate cut have boosted government optimism for further growth. The government anticipates more rate cuts and rising growth. The budget has set privatization targets, including a major airline stake sale. However, coalition politics and public resistance to inflationary reforms may hinder progress.

All eyes on parliament now, which has to “Aye” the budget in its present or amended form.

Amendments proposed in the Finance Bill, 2024 will take effect from **July 01, 2024**, unless stated otherwise, once it is approved by the Parliament.

“These comments should be read in conjunction with respective sections of the relevant statutes and are meant for the exclusive use of our clients, staff and associates as a general guidance. It should neither be regarded as comprehensive nor sufficient for decision making, nor should be used in place of professional advice. For any specific application, understanding a reference to us in writing is essential. The proposals introduced in the bill have to be approved by the national assembly before they become effective. Rafaqat Babar & Co, its partners and staff members do not take any responsibilities for any action on the basis of these clarifications.”

RAFAQAT BABAR & CO,
Chartered Accountants

June 12, 2024



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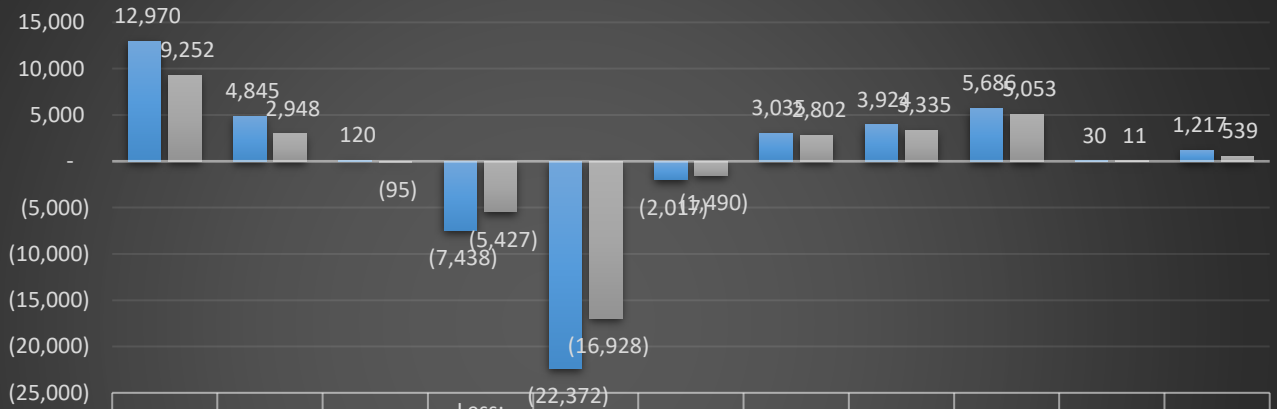
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BUDGET AT A GLANCE

	2024-2025		2023-2024	
	Rs in Billion	%	Rs in Billion	%
Tax Revenue	12,970		9,252	
Non-Tax Revenue	4,845		2,948	
Gross Revenue Receipt	17,815		12,200	
Public account Receipt-Net	120		(95)	
Total Receipts	17,935	100%	12,105	100%
Less: Provincial Shares in				
Federal Taxes	(7,438)	-41%	(5,427)	-45%
Net Revenue Receipt	10,497	59%	6,678	55%
Expenditure				
Current Expenditure	(22,372)	-125%	(16,928)	-140%
Development Expenditure	(2,017)	-11%	(1,490)	-12%
	(24,389)	-136%	(18,418)	-152%
Deficit	(13,892)	-77%	(11,740)	-97%
Domestic Debts Non Banks	3,035		2,802	
Domestic Debts Banks	3,924		3,335	
Foreign Debts/Grants	5,686		5,053	
Privatization Proceeds	30		11	
Surplus from Provinces	1,217		539	
	13,892		11,740	

BUDGET AT A GLANCE



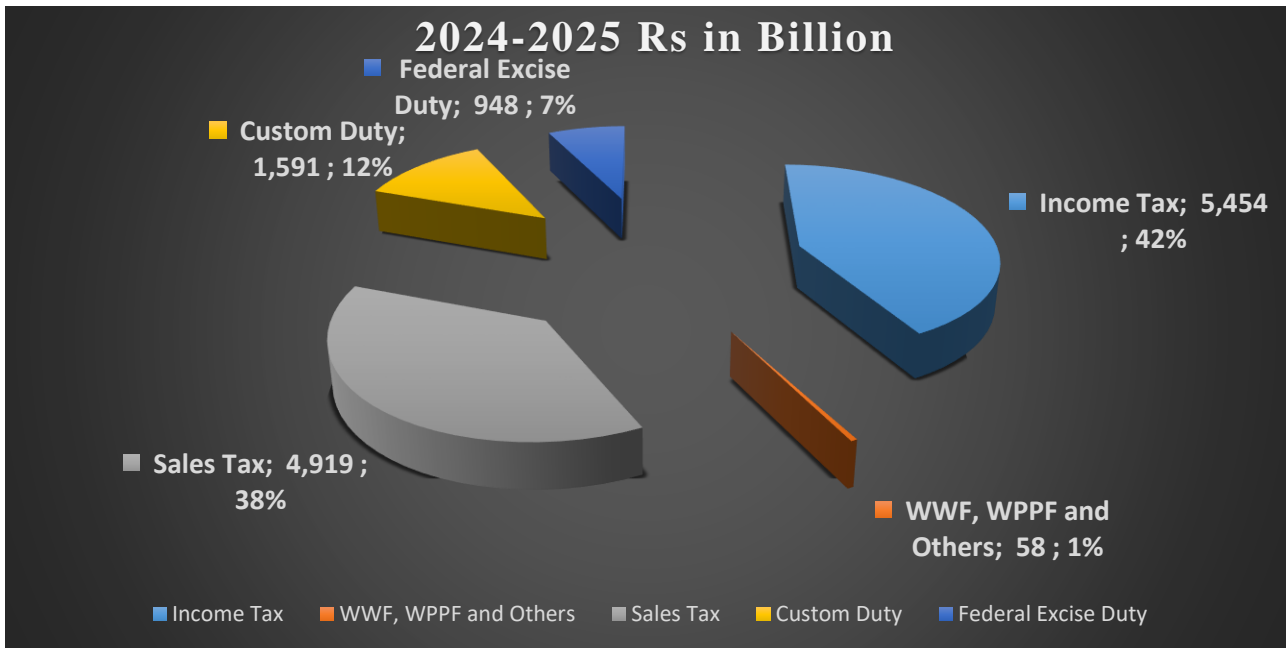
	Tax Revenue	Non-Tax Revenue	Public account Receipt-Net	Less: Provincial Shares in Federal Taxes	Current Expenditure	Development Expenditure	Domestic Debts Non Banks	Domestic Debts Banks	Foreign Debts/Grants	Privatization Proceeds	Surplus from Provinces
■ 2024-2025 Rs in Billion	12,970	4,845	120	(7,438)	(22,372)	(2,017)	3,035	3,924	5,686	30	1,217
■ 2023-2024 Rs in Billion	9,252	2,948	(95)	(5,427)	(16,928)	(1,490)	2,802	3,335	5,053	11	539

■ 2024-2025 Rs in Billion ■ 2023-2024 Rs in Billion



BREAK ON TAX REVENUE

	2024-2025 Rs in Billion	2023-2024 Rs in Billion
Direct Taxes		
Income Tax	5,454	3,682
WWF, WPPF and Others	58	39
	5,512	3,721
Indirect Tax		
Sales Tax	4,919	3,607
Custom Duty	1,591	1,324
Federal Excise Duty	948	600
	7,458	5,531
	12,970	9,252



SALIENT FEATURES OF INCOME TAX ORDINANCE, 2001

REVENUE MEASURES:

1. Personal Income Tax

The tax rates for non-salaried individuals and associations of persons and salaried individuals have changed. There is no income if annual income is up to Rs.600,000. Beyond this threshold, tax rates for non-salaried individuals have five taxable slabs with progressive tax rates ranging from 15% to 45%. For salaried individuals, beyond the threshold of Rs.600,000 per annum, there are five taxable slabs ranging from 5% to 35%.

2. Higher Tax Rates for Late Filers

At present, non-filers are subjected to higher tax rates to make their cost of doing business higher as well as to compel them to file their returns. Now a new tax rate for a new category of persons who are late filers i.e. they become filers after the due date of filing of return only for the sake of a specific transaction to avoid higher rates for non-filers. For such late filers a new tax rate is being introduced which is higher rate as compared to filers but lower than the non-filers.

3. Income Tax on Immovable Properties

Progressive tax rates on purchases and sales of properties, categorized into three categories, namely, one, filers, two, late-filers, and three, non-filers.

- A. On purchase of property by filers, the rates of tax would be 3% for values of properties up to 50 million, 3.5% for values of properties between 50 million and 100 million, and 4% for value of properties above 100 million. Late-filers would face slightly higher rates: 6%, 7%, and 8% respectively for the same property value brackets. Non-filers would experience significantly higher rates, set at 12% for properties up to 50 million, 16% for 50-100 million, and 20% for properties exceeding 100 million.
- B. The proposed progressive advance tax rates at source for filers on sale of immovable property are 3% for properties valued up to 50 million. For properties valued between 50 million and 100 million, the withholding tax rate is 4%, and for properties valued above 100 million, the rate is 5%. For non-filers, the rate is 10% for properties of any value. Further, for late filers, the rate of tax will be 6%, 7% and 8% respectively depending on the value of property.
- C. A flat 15% rate of tax on gains from the disposal of immovable property acquired on or after 01st July, 2024 by filers regardless of the holding period is proposed, and for non-filers, progressive tax rates based on the prescribed slab rates in Division I of Part I of the First Schedule, with a minimum tax rate of 15% is proposed.

4. Capital Gains on Sale of Securities

At present, capital gains on sale of securities is taxed on the basis of holding period with maximum rate at 15% and no tax if the holding period exceeds 06 years. Now, for the securities acquired on or after 01 July, 2024, the capital gain on sale of such securities will be taxed at flat rate of 15% for filers, and for non-filers, the gain will be taxed at normal rates with minimum rate of 15% and maximum rate of 45%. Further capital gains income from mutual funds and collective investment schemes is also enhanced from 10% to 15%.

5. Dividend Income from Mutual Funds

Dividend income from mutual funds is taxed @ 15% at present. However, in order to reduce the arbitrage between individual persons deriving income from profit on debt and persons earning dividend income from mutual funds deriving income from profit on debt, it is proposed that rate of dividend derived from a mutual fund which earns 50% or more of its income from profit on debt be enhanced from 15% to 25%.

6. Normal Income Tax on Export Income

At present, persons deriving income from exports have to pay 1% tax on their export proceeds which is final tax. On the principle of horizontal equity that taxpayers with equal income should pay equal tax, it is proposed income from exports be subjected to normal rates with one percent tax collection on their export proceeds be treated as minimum tax.

7. Strengthening Enforcement for Non-Filers

At present, persons who do not file return even in response to notice and their names are included in the income tax general order have to face blocking of their sims and disconnection of their utility connections. Now it has been proposed to bar exit from Pakistan of such persons with exceptions for Hajj and Umrah travelers, minors, students, overseas Pakistanis and such other classes of persons as notified by the Board. In case the implementing agencies do not block sims or disconnect utility connections or not comply with bar on foreign travel, penalty of Rs.100 million will be imposed upon the implementing agency for first default and Rs.200 million for each subsequent default. Penalties and prosecutions are proposed for entities failing to fully disclose relevant particulars or submitting incomplete information in their tax returns or failure to file return on discontinuation of their business. Further, penalty of sealing of shop is being proposed for traders and shopkeepers who fail to register under a scheme such as Tajir Dost Scheme. Further, failure to register by a shopkeeper or trader is proposed to be made an offence punishable on conviction with imprisonment for six months or with fine, or both.

8. Reduced Rate Certificate In lieu of Exemption Certificate

The facility of exemption from withholding tax by issuing an exemption certificate on supply of goods and for certain other transactions is being converted into a reduced rate certificate for ensuring documentation of the value chain.

9. Higher Tax Rates for Non-Filers Earning Income from Profit on Debt

Advance tax rate on profit on debt for non-filers is being enhanced from 30% to 35% to increase cost of non-compliance.

10. Broadening the Scope of Withholding Tax on Supply Chain and Substantially Enhancing Non-Filer Rates for Distributors, Dealers, Wholesalers and Retailers.

At present, advance tax is collected on sale to dealers, distributors, wholesalers and retailers of certain specified sectors. Now it is proposed that such tax will be collected from all sectors of the economy so that it is expanded to the entire supply chain comprising all distributors, wholesalers, dealers and retailers with the aim to document the traders. Further, the rate for non-filers for

dealers, distributors, wholesalers is being enhanced from 0.2% to 2% and for retailer non-filers from 1% to 2.5% so that with the purpose of documentation of traders and to discourage non-filing.

11. Minimum Value for Income Tax at Import Stage

In order to tap the true potential of income tax at import stage and to check under-declaration by importers, the Board is proposed to be empowered to notify minimum value for calculation of tax at import stage.

12. Higher Withholding Tax on Registration of Vehicles

The prices of motor vehicles have substantially increased, therefore in order to capture true potential of tax it is proposed that basis of tax collection may be changed from engine capacity to percentage of value in cases of all motor vehicles. Moreover, it is also proposed that percentage of tax collection may also be increased in cases of vehicles having engine capacity of more than 2000cc.

13. Withdrawal of Exemption of Income from Subsidy

- a. Federal Government subsidize certain utilities for the consumers and pay to the utility companies and other companies' certain amount of revenue in lieu of subsidy to the consumers.

As the subsidy is income in the hands of such companies, the exemption to receipts from subsidies is proposed to be withdrawn on the principle of horizontal equity.

- b. On the principle of horizontal equity, it is proposed that the reduced rate of 1% on supply of cigarettes by distributors may be enhanced to 2.5%.

14. Allocation of Advertisement Expense for Brand to a Non-Resident Associate Claiming Royalty

The expense equal to 25% of the total advertisement expense of the locally incorporated subsidiary is proposed to be shared with the non-resident associate who is also receiving royalty payment from Pakistan.

15. Increase in Rate of Default Surcharge Due to Late Payment

At present the default surcharge rate is 12% per annum which is significantly lower than the interbank rate and the low rate is a hindrance in recovery of tax arrears. It is therefore proposed that the default surcharge rate be increased to KIBOR rate plus 3% per annum.

RELIEF MEASURES:

16. Exemption to Erstwhile FATA/PATA Regions

- a. Five years exemption from tax on income and from withholding taxes with effect from 1st day of July, 2018 was provided to FATA/PATA up to 30th day of June, 2023 which was extended for one year up to 30th day of June, 2024. It is proposed that further exemption from income and withholding taxes may be extended for another one year up to 30th day of June, 2025.

- b. Extension in the period for adjusting unadjusted business losses from six to ten years for Pakistan International Airlines Corporation Limited (PIACL) to support its privatization.

STREAMLINING MEASURES:

- a. Tax credit under section 65F applies solely to revenue derived from coal mining activities, preventing coalminers from claiming it on their entire income, including interest income.
- b. AOPs with turnovers of Rs. 300 million or more would need to submit audited financial statements to discourage misuse and promote transparency and non-compliance would render members' share income taxable.
- c. The proposal requires persons paying advance tax to substantiate their estimates of income with documentary evidence to avoid rejection of their advance tax estimates.
- d. An explanation is added to the effect that super tax is leviable on banking companies for tax year 2023 and for subsequent years.
- e. The provisions pertaining to income of banks is clarified so that tax treatment for banks remain the same and the deductions allowed from income remain the same as before this bill.
- f. A saving clause is promulgated to ensure that appeals, references, or revisions initiated before the enactment of the Tax Laws Amendment Act, 2024 are adjudicated based on the legal framework existing prior to the said Act.

SECTION 2 Clause 08 – Definition of “Board”

The finance bill 2024 proposes to expand the definition of board which will now include the member of the federal board of revenue to whom powers of the board are delegated under the Federal Board of Revenue Act, 2007.

Hence the definition of the word board now includes all those members that are empowered under the FBR Revenue Act, 2007.

SECTION 37 Sub-Section 6 – Advance Tax Collection by Purchaser

The finance bill 2024 proposes to expand the definition of withholding and the purchaser is therefore required to withhold income tax on accrual basis rather than payment basis. This provision aims to ensure that tax is collected at the point of transaction, rather than waiting for the buyer to file their tax return.

SECTION 57 Sub-Section 2C – Losses of Pakistan International Airlines Corporation Limited

The finance bill 2024 proposes to insert a new clause 2C whereby Pakistan International Airlines Corporation Limited can now carry forward losses incurred on or after January 1, 2017, for a period of 10 years.

This change in tax policy allows Pakistan International Airlines Corporation Limited to offset future profits against losses sustained in the previous 10 years, starting from 2017. This provides significant tax relief and flexibility for the airline, enabling them to recover from past losses and invest in future growth. This change can help the airline to recover from financial difficulties and become more competitive in the market. In our opinion this change is brought to facilitate the privatization of Pakistan International Airlines Corporation Limited.

SECTION 65F Sub-Section 1 – Explanation Regarding Tax Credit Availability

The finance bill 2024 proposes to rationalize the wordings of sub section 1 by removing the redundant word “and” from the said sub section 1 and insert a new explanation regarding

availability of Tax Credit to only those persons that are engaged in the business of Coal mining project in the province of Sindh only.

The added explanation clarifies that the tax credit provided in this section is specifically for individuals or businesses engaged in coal mining projects in Sindh province, and is not applicable to anyone else. This ensures that the tax credit is targeted and limited to the intended beneficiaries, preventing potential misuse or misinterpretation.

SECTION 92 Sub-Section 1 – Requirement to File Financial Statements by AOPs

The finance bill 2024 proposes to insert a new proviso in section 92 which will require all those Association of Persons whose turnover is equal to or more than Rs. 300 million in current or any previous tax years and the association fails to file audited financial statements along with their tax return.

This provision aims to ensure tax compliance and transparency from associations of persons with significant turnovers. By requiring audited financial statements, the tax authorities can verify the accuracy of the association's income and expenses. If the association fails to file these statements, the member's share of income will not be exempt from tax, making them liable for tax on their share of the association's income. This provision promotes accountability and discourages tax evasion.

SECTION 100BA Sub-Section 1 – Active Taxpayers List

The finance bill 2024 proposes to amend the definition of active taxpayer list which will not include all those taxpayers who have failed to file their return by the due date hence all of those taxpayers will now be subject to tax rates of non-filer. The provision aims to minimize tax avoidance and ensure a more comprehensive tax net.

SECTION 108 Sub-Section 6 – Royalty Payments to Related Parties

The finance bill 2024 proposes to insert a novel sub section 6 which mainly aims to prevent tax avoidance by limiting deduction for royalty payments to related parties. This provision will be applicable from tax year 2024 onwards if a deduction is claimed for royalty payments to an associate (related party) for uses like brand name, patent, copyright, etc., then:

- 25% of the total expenditure on sales promotion, advertisement, and publicity will be disallowed (not allowed as a deduction).
- This disallowed amount will be allocated to the associate (related party).

By disallowing a portion of sales promotion, advertisement, and publicity expenses, the provision ensures that the taxpayer does not overly claim deductions, potentially shifting profits to the associate. This measure promotes arm's length transactions and curtails tax evasion strategies.

SECTION 114B Sub-Section 2 – Restriction on Foreign Travel

The finance bill 2024 proposes to insert a novel clause c under sub section 2 of section 114B which aims to restrict the foreign travel for Pakistani citizens who have failed to file their returns. However, the section also provides immunity to the followings;

- Holders of National Identity Card for Overseas Pakistanis (NICOP)
- Minors
- Students

- Other classes of persons notified by the Board

The restriction may impact citizens' freedom of movement, but its purpose is likely to ensure national interests by ensuring filing of returns. Further, the Board's notification of additional exempt classes suggests a flexible approach to accommodate specific needs and circumstances.

SECTION 116 Sub-Section 1 – Wealth Statement

The finance bill 2024 proposes to insert the word foreign assets in the section of wealth statement which will effectively require individuals to disclose not only their domestic assets but also their foreign assets.

This amendment in section 116 will now enhance the ambit of wealth statement to the extent of domestic as well as foreign assets providing a more comprehensive picture of their wealth and financial dealings.

SECTION 121 Sub-Section 1 – Best Judgement Assessment

The finance bill 2024 aims to improve and expand the scope of assessments under Section 121 by including a new case i.e Amendment of assessment in cases where a business is discontinued in the opinion of the Commissioner and the Commissioner issues a notice to file a return of income.

This proposal seeks to enhance the efficiency and coverage of tax assessments. By including cases of business discontinuation and Commissioner-issued notices, the bill aims to:

- Prevent tax evasion through business closure
- Ensure compliance with tax filing obligations
- Provide the tax authority with greater flexibility to address various scenarios

This rationalization and expansion of assessments will likely lead to more comprehensive tax monitoring and reduced tax avoidance opportunities.

SECTION 126A Sub-Section 1 – Pecuniary Jurisdiction in Appeals

The finance bill 2024 aims to introduce an explanation in sub section 1 of section 126A to prevent ambiguity and potential disputes by defining the terms explicitly. This clarification provides a clear and specific definition, ensuring consistency in applying the threshold for appeals to the appellate tribunal inland revenue.

This clarification will help the taxpayers and tax authorities accurately determine whether an appeal meets the threshold, promoting consistency and efficiency in the appeals process.

Moreover, the bill has proposed to extend the date of transfer of cases by 3 months i.e from 16th day of June 2024 to 16th day of September 2024. The additional three months are likely needed to ensure a smooth transition of cases, considering the complexity and volume of cases involved. This adjustment will help ensure that the transfer of cases is done efficiently and effectively, without compromising the integrity of the legal process.

SECTION 127 Sub-Section 1 – Appeal to The Commissioner (Appeals)

The finance bill 2024 aims to streamline the appeals process by limiting the jurisdiction of the Commissioner (Appeals) to smaller tax disputes i.e threshold limit of twenty million rupees while

more significant cases would likely be directed to higher authorities i.e appellate tribunal. This revision may help reduce the workload of the commissioner (Appeals) and enable more efficient handling of appeals.

SECTION 131 Sub-Section 1 – Appeal to The Appellate Tribunal.

The finance bill 2024 aims to streamline the appeals process by eliminating the Commissioner appeals from the list of authorities whose orders can be appealed to the appellate tribunal.

In summary the proposed law takes away the right to appeal against the commissioner (Appeals) orders to the appellate tribunal, which was available under the current law.

SECTION 147 Sub-Section 4 – Advance Tax.

The finance bill 2024 aims to enhance the limit of turnover from 110% to 120% in the cases where the taxpayer fails to provide turnover or the turnover for the quarter is unknown. The proposed amendment will have increased revenue collection due to higher limit, which may result in a surge in tax collections however, it will have additional burden on tax payer as they will be required to pay more taxes than the current tax scheme. This potential for overpayment of taxes will also have impact on refunds or adjustment in subsequent refunds.

Overall, the proposed change may benefit the revenue authorities in the short term but may lead to increased compliance burdens and cash flow issues for taxpayer.

SECTION 148 Sub-Section 6 – Imports.

The finance bill 2024 aims to introduce a novel sub section 6 that enables the federal board of revenue to specify minimum value of certain goods for the purpose of charging and collection of advance tax. This provision enables the tax authorities to determine the minimum value of goods for collection of advance tax which in turn will increase potential for enhanced tax collection.

The bill further rationalized the section 148 whereby the necessary changes are made to section in order to streamline the advance tax collection under minimum value method as introduced by the authorities.

SECTION 152 Sub-Section 4A – Payment to Non-Residents.

The finance bill 2024 proposes to amend sub section 4A that currently enables commissioner to permit payment without deduction of tax as well as payment with deduction of tax but at a reduced rate. The proposed amendment will only allow the commissioner to permit payment with deduction of tax at a reduced rate, thereby removing the option to make payment without deduction of tax.

The proposed change removes the possibility of making payments without deducting tax, and only allows for reduced rate tax deductions.

SECTION 153 Sub-Section 4 – Payment for Goods, Services and Contracts.

The finance bill 2024 proposes to amend sub section 4 that currently enables commissioner to permit payment without deduction of tax as well as payment with deduction of tax but at a reduced rate. The proposed amendment will only allow the commissioner to permit payment with deduction of tax at a reduced rate, thereby removing the option to make payment without deduction of tax.

The proposed change removes the possibility of making payments without deducting tax, and only allows for reduced rate tax deductions.

SECTION 154 – Exports.

The finance bill 2024 proposes to amend the taxation regime of exports from final to minimum taxation further, the proposed amendment also ensures that advance tax shall also be deducted in the event of exports made by an exporter. Furthermore, the bill proposes rationalization by eliminating the option to opt between Normal Tax and Final Tax, hence the option to opt normal tax instead of final tax is now eradicated.

This change to the export taxation scheme has far-reaching consequences for taxpayers, affecting various aspects of their affairs, including audits. Notably, the tax deduction at the export stage is not a final tax, but rather a minimum tax, which will be compared to taxable profits to determine liability. Additionally, the new requirements will replace the existing final tax regime, mandating taxpayers to maintain accurate records, as prescribed in the Income Tax Rules, 2002, which was previously not necessary.

SECTION 159 Sub-Section 1 & 1A – Exemption or lower rate certificate

The Finance Bill 2024 proposed omission and substitution of some words. The amended sub-sections are as follows:

“(1) Where the Commissioner is satisfied that an amount to which Division II or III of this Part or Chapter XII applies is –

- (a) exempt from tax under this Ordinance; or
- (b) subject to tax at a rate lower than that specified in the First Schedule; or
- (c) is subject to hundred percent tax credit under this Ordinance, the Commissioner shall, upon application in writing by the person, in the prescribed form issue the person with a lower rate certificate:

Provided that in case of a company, the Commissioner shall issue lower rate certificate under this section within fifteen days of filing of application by the company:

Provided further that the Commissioner shall be deemed to have issued the lower rate certificate upon the expiry of fifteen days from filing of application by the aforesaid company and the certificate shall be automatically processed and issued by Iris:

Provided also that the Commissioner may modify or cancel the certificate issued automatically by Iris on the basis of reasons to be recorded in writing after providing an opportunity of being heard.”

“(1A) The Commissioner shall, upon application from a person, in the prescribed form whose income is not likely to be chargeable to tax under this Ordinance, issue lower rate certificate for the profit on debt referred to in clause (c) of sub-section (1) of section 151.”

This change specifically removed the issuance of exemption certificates (zero rated certificate) and now commissioner can only issue lower rate certificates. This change in the section 159 was also necessary due to rationalization with other changes made in sections of the ordinance such as 152 and 153 etc.

SECTION 168 Sub-Section 3 – Credit for tax collected or deducted

The Finance Bill 2024 proposed omission of clause (e) which dealt with final taxation regime of exports, since the proposed bill aims to eliminate the final tax regime in the case of exports hence

this is a rationalization measure and accordingly the redundant clause is removed from section 168 of the Ordinance.

SECTION 169 Sub-Section 1 – Tax collected or deducted as a final tax

The Finance Bill 2024 proposed omission of the expression “sub-section (4) of section 154” in clause (b). The sub-section dealt with final taxation regime of exports, since the proposed bill aims to eliminate the final tax regime in the case of exports hence this is a rationalization measure and accordingly the redundant clause is removed from section 168 of the Ordinance.

This sub-section is omitted and making it fall under minimum tax regime, as a result of the omission it is excluded from the final tax regime.

SECTION 182 Sub-Section 1 – Offences and penalties

The Finance Bill 2024 proposed inclusion of following new S. No. and entries relating thereto in columns (2), (3), and (4) after S. No. (1AAA). The newly added serial is as follows:

S. No.	Offences	Penalties	Section of the Ordinance to which offence has reference
(1)	(2)	(3)	(4)
“1B	Where any person fails to furnish a return of income as required under sub-section (3) of section 117 within the time specified in the notice	Such person shall pay a penalty equal to higher of– (a) 0.1% of the tax payable in respect of that tax year for each day of default; or (b) Rs. 1,000 per day of default: Provided that minimum penalty shall be Rs. 10,000 in case of individual and Rs. 50,000 in all other cases.	117(3)”

This proposed addition of the above mention serial imposed a penalty on a person who fails to furnish a return of income in case the person has not given any notice of discontinuance of business and commissioner has reasonable grounds to believe that a business has discontinued or is likely to discontinue. The commissioner through a notice may specify to furnish a return of income for a period specified in the notice.

The Finance Bill 2024 also proposed inclusion of following new S. No. and entries relating thereto in columns (2), (3), and (4) after S. No. (3). The newly added serial is as follows:

S. No..	Offences	Penalties	Section of the Ordinance to which offence has reference
(1)	(2)	(3)	(4)
"3A	Where any person being a trader or a shopkeeper who is required to apply for registration under this Ordinance but fails to register or fails to pay advance tax as specified in a scheme of special procedure prescribed under section 99B.	The shop of such person shall be sealed for seven days for first default and for twenty-one days for each subsequent default	99B"

This proposed addition of the above mention serial imposed a penalty on a person who is required to apply for registration under this Ordinance but fails to register or fails to pay advance tax as specified in a scheme of special procedure prescribed under section 99B, such person's shop shall be sealed for seven days for first default and for twenty-one days for each subsequent default.

Section 182 - Offences and Penalties

The Finance Bill proposes that after S. No. 10, the following new S. No and entries relating thereto in columns (2), (3) and (4) shall be inserted, namely: -

S. No..	Offences	Penalties	Section of the Ordinance to which offence has reference
(1)	(2)	(3)	(4)
10A	Any person who fails to comply with income tax general order issued by the Board within fifteen days of issue of such order.	Such person shall pay penalty of one hundred million rupees for first default and two hundred million for each subsequent default.	114B

The introduction of a hefty penalty under section 10A for non-compliance with income tax general orders reflects a stringent approach by the government to enforce tax regulations. The severe fines, escalating from one hundred million to two hundred million rupees for repeated offenses, aim to ensure prompt compliance and deter non-compliance among taxpayers.

The Finance Bill also proposes that after S. No. 12, the following new S. No and entries relating thereto in columns (2), (3) and (4) shall be inserted, namely: -

S. No.	Offences	Penalties	Section of the Ordinance to which offence has reference
(1)	(2)	(3)	(4)
12A	Where any person fails to pay tax at the time of making payment as consideration of shares or at the time of registration of shares by the Securities and Exchange Commission of Pakistan or the State Bank of Pakistan, whichever is earlier.	Such person shall pay a penalty equal to fifty percent of the amount of tax involved	37(6)

The proposed penalty under section 12A for failing to pay tax on share transactions underscores the government's effort to tighten tax compliance in the securities market. Imposing a penalty of fifty percent of the tax involved ensures that timely tax payments are prioritized during share transactions, thereby enhancing tax collection efficiency and compliance.

The Finance Bill also proposes that after S. No. 34, the following new S. No and entries relating thereto in columns (2), (3) and (4) shall be inserted, namely: -

S. No.	Offences	Penalties	Section of the Ordinance to which offence has reference
(1)	(2)	(3)	(4)
35	Any company and an association of persons who – (a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer; (b) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or (c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed.	Such company, including a banking company and an association of persons shall pay a penalty of Rs.500,000 or 10% of the tax chargeable on the taxable income, whichever is higher.”	114(2)

The proposed penalty under section 35 on companies and associations of persons for inadequate or incomplete reporting in their income tax returns. The penalty of Rs. 500,000 or 10% of the tax chargeable on taxable income, whichever is greater, serves as a deterrent against non-compliance and emphasizes the importance of accurate disclosure and adherence to reporting requirements mandated by tax authorities. This provision aims to foster transparency and integrity in tax filings, ensuring robust compliance with tax laws.

Section 191 - Prosecution for Non-Compliance with Certain Statutory Obligations

The current section 191 states:

Section 191 - Prosecution for non-compliance with certain statutory obligations: -

(1) Any person who, without reasonable excuse, fails to —

(a) comply with a notice under sub-section (3) [and sub-section (4)] of section 114 or sub-section (1) of section 116;

shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

Proposed Change by Finance Bill, 2024:

In section 191, in sub-section (1), in clause (a), after the expression “section 114”, the expression “, sub-section (3) of section 117” shall be inserted;

Revised Section 191:

Section 191 - Prosecution for non-compliance with certain statutory obligations: -

(1) Any person who, without reasonable excuse, fails to —

(a) comply with a notice under sub-section (3)2 [and sub-section (4)] of section 114, sub-section (3) of section 117, or sub-section (1) of section 116;

Explanation:

The proposed change adds an additional compliance requirement to the existing statutory obligations. Specifically, it includes the failure to comply with a notice under sub-section (3) of section 117 as a prosecutable offence. Therefore, under the revised clause (a), a person can be prosecuted for failing to comply with notices under sub-sections (3) and (4) of section 114, sub-section (3) of section 117, or sub-section (1) of section 116.

Section 191A - Prosecution For Failure to Furnish Information in Return of Income

The Finance Bill, 2024 proposes a new section i.e., Section 191A, which is as follows:

191A. Prosecution for failure to furnish information in return of income – Any company including a banking company and an association of persons who –

- (a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer;
- (b) furnishes blank or incomplete particulars or information as specified in the return of income; or
- (c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were 98 required to be filed, shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both.

The introduction of section 191A by the Finance Bill, 2024, significantly enhances tax compliance enforcement by penalizing companies and associations for submitting incomplete or inaccurate tax returns. This provision aims to ensure thorough financial disclosure, promoting transparency and accountability, while also aligning with global tax regulatory standards.

Section 191B - Prosecution For Non-Registration

The Finance Bill, 2024 proposes a new section i.e., Section 191B, which is as follows:

191B. Prosecution for non-registration – Any person specified

in section 99B who is required to apply for registration but fails to do so shall commit an offence punishable on conviction with imprisonment for a term not exceeding six months or fine or both.”;

The addition of section 191B in the Finance Bill, 2024, introduces strict penalties for individuals failing to register as required by section 99B. This measure underscores the government's commitment to broadening the tax base and ensuring compliance, aiming to deter tax evasion through non-registration with the threat of fines or imprisonment.

SECTION 205 – Default surcharge

The proposed change in the Finance Bill 2024 to alter the default surcharge rate from a fixed 12% to KIBOR (Karachi Interbank Offered Rate) plus 3% represents a significant shift in the approach to calculating financial penalties.

The shift from a fixed 12% default surcharge to KIBOR plus 3% ties the surcharge rate more closely to prevailing economic conditions, making it both a flexible and potentially more accurate reflection of the cost of default. However, it also introduces variability and complexity that could impact taxpayers' financial planning and overall economic behavior.

SECTION 216 Sub-Section 3 – Disclosure of information by public servant

The Finance Bill 2024 proposes to add a new clause after the omitted clause (kb), The newly added clause is:

“(kc) to National Database and Registration Authority to process and analyze such data for the purposes of broadening of tax base;”

The officers are bound to keep the information confidential with a few exceptions where they can disclose information to specified institutions or authorities. The proposed exception is to allow NADRA access to tax data for broadening the tax base reflects a proactive approach to improving tax compliance and revenue collection through advanced data analytics. While it offers significant potential benefits, it also necessitates careful handling of data privacy and security concerns to ensure public trust and legal compliance.

SECTION 236G Sub-section 1 – Advance tax on sales to distributors, dealers and wholesalers

The Finance Bill 2024 proposes to omit the expression “of pharmaceuticals, poultry and animal feed, edible oil and ghee, auto-parts, tyres, varnishes, chemicals, cosmetics, IT equipment, electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector,”

The proposed change in the Finance Bill 2024 to omit the mentioned expression to remove it from the specific sector and apply it to all manufacturers and commercial importers aims to create a

more equitable and comprehensive tax system. While this has the potential to increase revenue and reduce tax evasion.

SECTION 236H Sub-section 1 – Advance tax on sales to retailers

The Finance Bill 2024 proposes to omit the expression “of pharmaceuticals, poultry and animal feed, edible oil and ghee, auto-parts, tyres, varnishes, chemicals, cosmetics, IT equipment, electronics, sugar, cement, iron and steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector,”

The proposed change in the Finance Bill 2024 to remove the restriction on imposing advance tax only on specific sectors and extend it to all manufacturers and commercial importers aims to create a more equitable and comprehensive tax system. This adjustment has the potential to increase revenue and reduce tax evasion.

SECTION 239 Sub-section 18 – Savings

The Finance Bill 2024 proposes to add a new sub-section after sub-section 17. The newly added sub-section is:

“(18) The period of limitation provided in clause (d) of sub-section (2) of section 131 and sub-section (1) of section 133 shall continue to apply where any decision of the Commissioner (Appeals) or the Appellate Tribunal is received prior to the date of commencement of the Tax Laws (Amendment) Act, 2024.”

The new subsection in Section 239 aims to standardize the time periods for all orders passed prior to the Tax Laws (Amendment) Act, 2024. This move enhances legal clarity, administrative efficiency, and fairness in the application of tax laws, benefiting both tax authorities and taxpayers.

FIRST SCHEDULE PART-I - DIVISION-I

The Finance Bill 2024 proposes to substitute the table mentioned in the paragraph (1). The substituted table is as follows:

S. No.	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs. 600,000/-	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	15% of the amount exceeding Rs.600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,600,000	Rs. 90,000 + 20% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 1,600,000 but does not exceed Rs. 3,200,000	Rs. 170,000 + 30% of the amount exceeding Rs. 1,600,000
5.	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 5,600,000	Rs. 650,000 + 40% of the amount exceeding Rs. 3,200,000
6.	Where taxable income exceeds Rs. 5,600,000	Rs. 1,610,000 +45% of the amount exceeding Rs. 5,600,000”

Currently the tax rates are as follows:

S. No.	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs. 600,000/-	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	7.5% of the amount exceeding Rs.600,000
3.	Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 15,000 + 15% of the amount exceeding Rs. 800,000
4.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 75,000 + 20% of the amount exceeding Rs. 1,200,000
5.	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 315,000 + 25% of the amount exceeding Rs. 2,400,000
6.	Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 465,000 + 30% of the amount exceeding Rs. 3,000,000
7.	Where taxable income exceeds Rs. 4,000,000	Rs. 765,000 +35% of the amount exceeding Rs.4,000,000”

The Finance Bill 2024 also proposes to substitute the table mentioned in the paragraph (2). The substituted table is as follows:

S. No.	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs. 600,000/-	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs.600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs. 30,000 + 15% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs. 180,000 + 25% of the amount exceeding Rs. 2,200,000
5.	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 430,000 + 30% of the amount exceeding Rs. 3,200,000
6.	Where taxable income exceeds Rs. 4,100,000	Rs. 700,000 +35% of the amount exceeding Rs. 4,100,000”

Currently the tax rates are as follows:

S. No.	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs. 600,000/-	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	2.5% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 15,000 + 12.5% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 165,000 + 22.5% of the amount exceeding Rs. 2,400,000

S. No.	Taxable Income	Rate of Tax
(1)	(2)	(3)
5.	Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 435,000 +27.5% of the amount exceeding Rs. 3,600,000
6.	Where taxable income exceeds Rs. 6,000,000	Rs. 1,095,000 +35% of the amount exceeding Rs.6,000,000”

FIRST SCHEDULE PART-I - DIVISION-III

The Finance Bill 2024 proposes to substitute the clause (b). The substituted clause is as follows:

“(b) 15% in the case of mutual funds, Real Estate Investment Trusts and cases other than those mentioned in clauses (a), (c) and (d):

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

The proposed 25% tax rate on dividends from mutual funds that derive fifty percent or more of their income from profit on debt represents a targeted taxation measure. While it aims to increase revenue and possibly address policy goals, it could also influence investor behavior, fund strategies, and market dynamics.

FIRST SCHEDULE PART-I - DIVISION-VII

The Finance Bill 2024 proposes to substitute the Division-VII. The substituted Division-VII is as follows:

“DIVISION VII
Capital Gains on Disposal of Securities

The rate of tax to be paid under section 37A shall be as follows: —

S. No.	Holding Period	Rate of Tax on disposal of securities acquired between 1st day of July, 2022 and 30th June, 2024 (both dates inclusive)	Rate of Tax on disposal of securities acquired on or after 1 st day of July, 2024
(1)	(2)	(3)	(4)
1.	Where the holding period does not exceed one year	15%	15% for persons appearing on the Active Taxpayers’ List on the date of acquisition and the date of disposal of securities and at the rate specified in Division I for individuals and association of persons and Division II for companies in respect of
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	
3.	Where the holding period exceeds two years but does not exceed three years	10%	

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

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

- (i) the rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or after the first day of July, 2013 but on or before the 30th day of June, 2022; and
- (ii) the rate of 0% tax shall be charged on capital gain arising on disposal where the securities are acquired before the first day of July, 2013:

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

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

Category	Rate
Individual and association of persons	15% for stock funds
	15% for other funds
Company	15% for stock funds
	25% for other funds

Provided also that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 20%:

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

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

Currently the tax rates in Division-VII are as follows:

“DIVISION VII
Capital Gains on Disposal of Securities

The rate of tax to be paid under section 37A shall be as follows: —

S. No.	Holding Period	Rate of Tax for Tax year 2023 and onwards
(1)	(2)	(3)
1.	Where the holding period does not exceed one year	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%
3.	Where the holding period exceeds two years but doesnot exceed three years	10%
4.	Where the holding period exceeds three years butdoes not exceed four years	7.5%
5.	Where the holding period exceeds four years but doesnot exceed five years	5%
6.	Where the holding period exceeds five years but doesnot exceed six years	2.5%
7.	Where the holding period exceeds six years	0%
8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%

Provided that for securities except at S. No. 8 of the table, -

- (i) the reduced rates of tax on capital gain arising on disposal shall apply where the securities are acquired on or after the first day of July, 2022; and
- (iii) the rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or after the first day of July, 2013 but on or before the 30th day of June, 2022; and
- (iv) the rate of 0% tax shall be charged on capital gain arising on disposal where the securities are acquired before the first day of July, 2013:

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

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

Category	Rate
Individual and association of persons	10% for stock funds
	10% for other funds
Company	10% for stock funds
	25% for other funds

Provided further that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 12.5%:

Provided further that no capital gains tax shall be deducted, if the holding period of the security is more than six years.

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

FIRST SCHEDULE PART-I - DIVISION-VIII

The Finance Bill 2024 proposes to substitute the Division-VIII. The substituted Division-VIII is as follows:

“DIVISION VIII

The rate of tax to be paid shall under sub-section (1A) of section 37 shall be as follows: –

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



S. No.	Holding Period	Rate of Tax on properties acquired on or before 30 th day of June, 2024			Rate of Tax on properties acquired on or after 1st day of July, 2024
		Open Plots	Constructed Property	Flats	
(1)	(2)	(3)	(4)	(5)	(6)
	does not exceed four years				Taxpayers' List on the date of disposal, the rate of tax shall not be less than 15% of the gain"
5.	Where the holding period exceed four years but does not exceed five years	5%	0	-	
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-	
7.	Where the holding period exceeds six years	0%	-	-	

The prevailing tax rates are as follows:

S. No.	Holding Period	Rate of Tax		
		Open Plots	Constructed Property	Flats
(1)	(2)	(3)	(4)	(5)
1.	Where the holding period does not exceed one year	15%	15%	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5%
3.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0%
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-
5.	Where the holding period exceed four years but does not exceed five years	5%	0	-
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-
7.	Where the holding period exceeds six years	0%	-	-

The proposed change significantly impacts Non-Active Taxpayers, imposing a harsher financial penalty on them. By setting a minimum tax rate of 15% on the gain from property disposal for those not on the Active Taxpayers' List (ATL), the measure ensures that Non-Active Taxpayers face a substantially higher tax burden compared to those on the ATL. For Individuals and Associations of Persons not on the ATL, they will be taxed as per their slab rates as mentioned in Division I, and Companies will be taxed as per their tax rate as mentioned in Division II. This policy effectively penalizes non-compliance and discourages taxpayers from neglecting their tax obligations. Non-Active Taxpayers are thus disadvantaged and unprotected by this change, even if they subsequently rectify their status.

Division I of Part III of the First Schedule - Advance Tax on Dividend

The current clause (b) states:

"15% in mutual funds, Real Estate Investment Trusts and cases other than those mentioned in clauses (a), (c) and (d);"

The proposed change by the Finance Act 2024 is:

"(b) 15% in the case of mutual funds, Real Estate Investment Trusts and cases other than those mentioned in clauses (a), (c) and (d):

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

In summary, the change proposes that while the general tax rate for mutual funds, Real Estate Investment Trusts, and other cases remains at 15%, there is a new provision that increases the tax rate to 25% for dividends received from mutual funds that derive 50% or more of their income from profit on debt.

Division III of Part III of the First Schedule - Payments for Goods or Services

The current paragraph (b) states:

"(b) in the case of sale of goods including toll manufacturing,—
(i) in case of a company, [5%] of the gross amount payable; and
(ii) in any other case, [5.5%] of the gross amount payable,"

The proposed change by the Finance Act 2024 is:

"(i) in case of a company, 9% of the gross amount payable for toll manufacturing and 5% of the gross amount payable in case other than toll manufacturing; and
(ii) in case other than a company, 11% of the gross amount payable for toll manufacturing and 5.5% of the gross amount payable in other than toll manufacturing."

In summary, the change proposes to differentiate the tax rates for toll manufacturing and other sales. For companies, the rate for toll manufacturing increases to 9% while remaining at 5% for other sales. For non-companies, the rate for toll manufacturing increases to 11% while remaining at 5.5% for other sales.

Division IV of Part III of the First Schedule – Exports

The current Division IV states:

1. "The rate of tax to be deducted under sub-sections (1), (3), (3A), (3B) or (3C) of section 154 shall be 1% of the proceeds of the export."
2. [omitted]
3. "The rate of tax to be deducted under sub-section (2) of section 153 shall be 1%:
Provided that in case of immovable property sold by auction, the rate of collection of tax under this section shall be 5% of the gross sale price."

The proposed change by the Finance Bill 2024 is:

"After omitted paragraph (2), the following new paragraph shall be inserted, namely: –

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

In summary, the change proposes to add a new paragraph (2A) that specifies an additional tax deduction. Specifically, it mandates that an advance tax of 1% of the proceeds of export shall be deducted, in addition to the existing 1% tax deduction under paragraph (1).

Division V of Part IV of the First Schedule – Telephone users

The current Division V, entry (b) states:

"(b) in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card,
[15%] of the amount of bill or sales price of internet pre-paid card or prepaid telephone card or sale of units through any electronic medium or whatever form"

The proposed change by the Finance Bill 2024 is:

"(1) in Division V, in entry (b), in the second column, after the word 'form' a colon shall be inserted and thereafter the following proviso shall be added, namely: –

Provided that in the case of persons mentioned in income tax general order issued under section 114B, the rate of collection of tax shall be 75% of the amount of bill or sale price of internet pre-paid card or prepaid telephone card or sale of units to any electronic medium or whatever form."

In summary, the change proposes to add a proviso to the existing tax rule for subscribers of internet, mobile telephone, and pre-paid internet or telephone cards. While the general tax rate remains at 15%, there will be a new provision specifying that for persons mentioned in an income tax general order issued under section 114B, the tax rate will be significantly higher, at 75% of the amount of the bill or sale price.

Division VII of Part IV of the First Schedule – Advance Tax on Purchase, Registration and Transfer of Motor Vehicles

The current Division VII states:

- (1) The rate of tax under sub-sections (1) and (3) of section 231B shall be as set out in the following Table:

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

Provided that the value for the purpose of S. Nos. 7 to 9 of the above Table shall be in case of motor vehicle –

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

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

The proposed change by the Finance Bill 2024 is:

(2) in Division VII, in paragraph (1), –

(a) for the Table, the following shall be substituted, namely: –

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

(b) in the first proviso, the expression “S. Nos. 7 to 9 of” shall be omitted.

Summary of the proposed changes:

The specific fixed amounts of tax for vehicles with engine capacities up to 2000cc are replaced by a percentage of the value of the vehicle.

The tax rates for different engine capacities are adjusted as a percentage of the value of the vehicle, ranging from 0.5% for vehicles up to 850cc to 12% for vehicles above 3000cc.

The first proviso, which specified that the value is to be determined for the S. Nos. 7 to 9, is omitted. This means the method for determining the value of motor vehicle applies uniformly across all engine capacities listed in the table.

Division X of Part IV of the First Schedule – Advance tax on sale or transfer of immovable property

The finance Bill 2024 proposes to insert the below table which set outs the rate of tax to be collected under section 236C instead of the previous 3% tax of the gross amount of the consideration received.

S. No.	Amount	Tax Rate
(1)	(2)	(3)
1.	Where the gross amount of the consideration received does not exceed Rs. 50 million	3%
2.	Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs. 100 million	3.5%
3.	Where the gross amount of the consideration received exceeds Rs. 100 million	4%

Division XVIII of Part IV of the First Schedule – Advance tax on purchase of immovable property

The finance Bill 2024 proposes to insert the below table which set outs the rate of tax to be collected under section 236K instead of the previous 3% tax of the fair market value.

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

Part I of the Second Schedule – Exemptions from Total Income

The current clauses state:

(102A) Income of a person as represents a subsidy granted to him by the Federal Government for the purposes of implementation of any orders of the Federal Government in this behalf.

(145A) Any income which was not chargeable to tax prior to the commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) of any individual domiciled or company and

association of persons resident in the Tribal Area forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June, 2018 to the 30th day of June, 2024 (both days inclusive).

The proposed changes by the Finance Bill 2024 are:

(A) in Part I, –

(i) clause (102A) shall be omitted;

(ii) in clause (145A), for the expression “2024”, the expression “2025” shall be substituted;

In summary, the proposed changes are:

Omission of clause (102A): This means that income representing a subsidy granted by the Federal Government for the implementation of any of its orders will no longer be exempt from taxation.

Extension in clause (145A): The tax exemption period for income that was not chargeable to tax prior to the commencement of the Constitution (Twenty-fifth Amendment) Act, 2018, for individuals domiciled or companies and associations of persons resident in the Tribal Areas of Khyber Pakhtunkhwa and Balochistan, is extended from June 30, 2024, to June 30, 2025.

▪ **Part II of the Second Schedule – Reduction in Tax Rates**

The current clause (24A) states:

(24A) The rate of tax, under clause (a) of sub-section (1) of section 153, from distributors of cigarette and pharmaceutical products shall be 1% of the gross amount of payments.

The proposed change by the Finance Bill 2024 is:

In Part II, in clause (24A), after the word “cigarette”, the expression “shall be 2.5% of the gross amount of payment” shall be inserted.

In summary, the proposed change modifies clause (24A) to:

(24A) The rate of tax, under clause (a) of sub-section (1) of section 153, from distributors of cigarette shall be 2.5% of the gross amount of payment and from distributors of pharmaceutical products shall be 1% of the gross amount of payments.

This change increases the tax rate for distributors of cigarettes from 1% to 2.5% of the gross amount of payments, while maintaining the 1% tax rate for distributors of pharmaceutical products.

▪ **Part III of the Second Schedule – Reduction in Tax Liability**

The current clause (2) states:

The tax payable by a full-time teacher or a researcher, employed in a nonprofit education or research institution duly recognized by the Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government research institutions, shall be reduced by an amount equal to 25% of the tax payable on his income from salary.

Provided that this clause shall not apply to teachers of the medical profession who derive income from private medical practice or who receive a share of consideration received from patients.

The proposed change by the Finance Bill 2024 is:

in Part III, clause (2) shall be omitted;

In summary, the proposed change removes clause (2) entirely. This means that the tax reduction of 25% for full-time teachers or researchers employed in qualifying nonprofit education or research institutions will no longer be available. Additionally, the specific exclusion for teachers of the medical profession who derive income from private medical practice or receive a share of consideration from patients will also be removed.

▪ **Part IV of the Second Schedule – Exemptions from Specific Provisions**

The current clauses (109A) and (110) state:

(109A) The provisions of sections in Division III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax which were not applicable prior to the commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) shall not apply to individual domiciled or company and association of persons resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June, 2018 to the 30th day of June, 2024 (both days inclusive).

(110) The provisions of sections in Division III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax which were not applicable prior to the commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) shall not apply to individual domiciled or company and association of persons resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June, 2018 to the 30th day of June, 2024 (both days inclusive).

The proposed change by the Finance Bill 2024 is:

In Part IV, in clauses (109A) and (110), for the expression “2024”, the expression “2025” shall be substituted;

In summary, the proposed change modifies clauses (109A) and (110) to extend the exemption period for the non-application of withholding tax provisions to residents and entities in the specified Tribal Areas of Khyber Pakhtunkhwa and Balochistan.

This change extends the tax exemption period by one year, from June 30, 2024, to June 30, 2025.

▪ **The Seventh Schedule – Rules for The Computation of The Profits and Gains of a Banking Company and Tax Payable Thereon**

The current sub-rule (d) of Rule 1 states:

(d) The amount of “bad debts” classified as “sub-standard” [“or doubtful”] under the Prudential Regulations issued by the State Bank of Pakistan shall not be allowed as an expense.

The proposed change by the Finance Bill 2024 is:

in rule 1, –

(i) for sub-rule (d), the following shall be substituted, namely: –

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

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

(ii) after sub-rule (d), substituted as aforesaid, the following new sub-rule shall be inserted, namely:

–

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

In summary, the proposed change modifies rule 1, specifically sub-rule (d), to expand the scope of non-allowable expenses related to bad debts and provisions for advances or financial assets. It adds provisions related to advances, off-balance sheet items, or any other financial asset classified under applicable accounting standards, including IFRS 09. Additionally, a new sub-rule (da) is introduced, specifying that provisions or expected credit losses for advances and off-balance sheet items under IFRS 09 shall not be allowed as an expense or deduction.

The current sub-rule (g) of Rule 1 states:

(g) "Adjustment made in the annual accounts, on account of application of international accounting standards 39 and 40 shall be excluded in arriving at taxable income."

The proposed change by the Finance Bill 2024 is:

"in sub-rule (g), for the expression “application of international accounting standards 39 and 40”, the expression “any applicable accounting standard or policy or any guidelines or instructions of State Bank of Pakistan” shall be substituted."

In summary, the proposed change modifies the criteria for excluding adjustments made in annual accounts from taxable income. Instead of specifically mentioning international accounting standards 39 and 40, the change broadens the scope to include adjustments made based on any applicable accounting standard or policy, or any guidelines or instructions of the State Bank of Pakistan.

The current rule 7CA states:

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

The proposed change by the Finance Bill 2024 is:

In rule (7CA), after the full stop, the following explanation shall be added, namely: –
“Explanation. – For removal of doubt it is clarified that the expression “tax year 2023 onwards”, means that provisions of section 4C are applicable for the tax year 2023 and for all subsequent tax years.”;

In summary, the proposed change adds an explanation clarifying that the expression "tax year 2023 onwards" means that the provisions of section 4C are applicable for the tax year 2023 and for all subsequent tax years.

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

The current rule 1 states:

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

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

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

The proposed change by the Finance Bill 2024 is:

In rule 1:

The expression “the First Schedule to” shall be omitted.

Substitution of the second proviso:

For the second proviso, the following shall be substituted:

“Provided further that the tax required to be collected under section 236K shall be at the rates set out in the following table, in case of persons not appearing in the active taxpayers’ list: –“

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

2	Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million	16%
3	Where the fair market value exceeds Rs. 100 million	20%

Additional Proviso:

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

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

After rule 1:

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

For section 236C:

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

For section 236K:

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

In rule 10:

Addition of new sub-rule (y):

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

SALIENT FEATURES OF THE SALES TAX ACT 1990

The proposed budgetary measures pertaining to Sales Tax for FY 2024-25 are:

1. Withdrawal of various exemptions/zero rating and reduced/fixed rates.
2. Mobile phones to be taxed at standard rate (other than mobile phones valuing exceeding US\$ 500 which will remain chargeable to existing rate of 25%).
3. Enhancement in reduced rate of sales tax from 15% to 18% on supplies made by the POS retailers dealing in leather and textile products.
4. withholding regime for lead, coal, scrap of paper and plastic, silica etc.
5. Iron and steel scrap to be exempted from levy of sales tax.
6. A phased withdrawal of exemption granted to ex-FATA/PATA.
7. Board empowered to fix minimum price of the goods falling under Third Schedule.
8. Streamlining and strengthening the provisions related to tax fraud.
9. Changes in the legal provisions related to assessment and audit.
10. Zero-rating of petroleum products is being converted into exemption.
11. Rate of default surcharge is to be aligned with the SBP's policy rate of KIBOR plus 3%.

REVENUE MEASURES:

SECTION 2 Clause 3 – Definition of “ASSOCIATE AND ASSOCIATED PERSON”

The Finance Bill 2024 proposes the addition in the definition of the “associate (associated person)” as follows:

“Associate (associated person)” shall have the same meaning as defined in sub-section (1) of section 85 of the Income Tax Ordinance, 2001.

The proposed addition to align the definition of "associate (associated person)" with that in sub-section (1) of section 85 of the Income Tax Ordinance, 2001, aims to standardize the interpretation of this term across tax laws. This alignment helps in maintaining consistency and clarity in identifying relationships between individuals or entities for tax purposes, promoting uniformity in regulatory practices and compliance assessments.

• SECTION 2 Clause 4 – Definition of “Board”

The Finance Bill 2024 proposes the addition in the definition of the “Board” as follows:

“**Board**” shall have the same meaning as defined under clause (8) of section 2 of the Income Tax Ordinance, 2001.

The proposed addition in the Finance Bill 2024 to define "Board" with reference to clause (8) of section 2 of the Income Tax Ordinance, 2001, aims to align the interpretation of "Board" across different tax laws, specifically the Income Tax Ordinance and potentially other tax statutes. This amendment seeks to create consistency in the understanding and application of the term "Board" within the context of tax administration. By referencing a specific definition from another tax law, it helps in avoiding ambiguity and ensuring clarity in legal interpretations and implementations related to tax matters governed by various statutes under the purview of the Board.

- **SECTION 2 Clause 14A – Definition of “KIBOR”**

The Finance Bill 2024 proposes the addition of new clause 14A “Investigative audit” means investigative audit means audit under section 25A of the Sales Tax Act, 1990. While the existing clause 14A “KIBOR” will be renumbered to the clause 14B.

This change enhances transparency and precision in legal terminology, facilitating better understanding and application of the term "Investigative audit" in the context of tax law.

- **SECTION 2 Clause 15A – Definition of “Licensed integrator”**

The Finance Bill 2024 proposes the addition of the novel clause 15A after the clause 15 “Local Inland Revenue Office” the new clause 15A “Licensed integrator” shall be added as follow:

“Licensed integrator” means any person licensed by the Board to provide electronic invoicing system for integration of registered persons in the prescribed manner.

This definition clarifies the role and responsibility of licensed integrators in facilitating electronic invoicing processes, ensuring compliance with standards set by the tax authority. By defining this term, the legislation promotes structured implementation of electronic invoicing systems, enhancing efficiency and accuracy in tax administration while fostering technological advancements in compliance mechanisms.

- **SECTION 2 Clause 37 – Definition of “Tax fraud”**

The Finance Bill 2024 proposes the substitution of the existing clause 37 “tax fraud” as follows by making an addition in the scope of “tax fraud”:

“(37) “tax fraud” means intentional evasion of legally due tax or obtaining of undue refund by submission of false return, statements or false documents or withholding of correct information or documents and includes: -

- (a) suppression of sales or receipts that are chargeable to tax under this Act;
- (b) false claim of input tax credit;
- (c) making taxable supplies of goods without issuing any tax invoice, in violation of the provisions of this Act or the rules made thereunder;
- (d) issuance of any tax invoice without supply of goods leading to inadmissible claim of input tax credit or refund;
- (e) evasion of tax by availing undue input tax credit or obtaining inadmissible refund by any means or methods other than that covered under clauses (a) to (d);
- (f) collection of any amount as tax but failing to deposit the same in the prescribed manner beyond a period of three months from due date of payment of tax;
- (g) falsification or substitution of financial records or production of fake accounts or documents or furnishing of any false information through human, mechanical or electronic means with an intention to evade tax due or claim inadmissible refund;
- (h) tampering with or destroying of any material evidence or documents required to be maintained under this Act or the rules made thereunder through human or digital means; or
- (i) acquisition, possession, transportation, disposal or in any way removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner dealing with, any goods in respect of which there are reasons to believe that these are liable to confiscation under this Act or the rules made thereunder.

Explanation.—Any act or omission mentioned in this clause shall be treated as intentional unless the person accused of tax fraud proves that he had no intention, motive, knowledge, or reason to believe that he was committing a tax fraud.”

The Finance Bill 2024 significantly expands the definition of "tax fraud" under the Sales Tax Act, 1990. It now includes various fraudulent activities such as suppressing sales, making false input tax credit claims, issuing false invoices, evading tax through other means, and failing to deposit collected tax. Specific actions like falsifying records, tampering with evidence, and dealing with confessable goods are also covered. The amendment emphasizes that any act or omission is presumed intentional unless proven otherwise, strengthening enforcement and deterrence against tax evasion.

- **SECTION 2 Clause 44– Definition of “Supply”**

The Finance Bill 2024 proposes to enhance the definition of supply by including the advance amount if any received.

- **SECTION 2 Clause 46– Definition of “Value of Supply”**

The Finance Bill 2024 proposes the change of the word from “Central” to “federal” in subclause (d) of the clause 46 of section 2 to rationalize the provision with the applicable law of Federal Excise Duty. Hence, the correctional change in the sub section is made through this amendment.

The Finance Bill 2024 also proposes the addition of the expression “including those as specified in the Third Schedule,” shall be inserted; after the word “goods” this amendment will enhance the authority of board to set the value of goods specified in the third schedule, this provision gives regulatory flexibility to the Board to adjust or set values as deemed necessary, ensuring effective administration and enforcement of tax and customs laws related to imported goods and taxable supplies.

- **SECTION 3 Sub-Section (11) – “Scope of tax”**

The Finance Bill 2024 proposes to omit the Sub-Section 11 from the scope of tax. The sub-section in question is:

“Notwithstanding anything contained in the Act, the Board through Notification in the official Gazette, may require class of persons to integrate their invoice issuing machines with the Board’s Computerized System for real time reporting of sales in such mode and manner and from such date as may be prescribed.”

This provision was intended to enhance transparency and control over sales reporting by specific taxpayer groups. Its removal suggests a potential reevaluation of real-time reporting requirements, possibly indicating a move towards alternative compliance measures or a reassessment of administrative priorities within the Finance Act 2024.

- **SECTION 11 – “Assessment of Tax & Recovery of Tax not levied or short levied or erroneously refunded”**

The omission of Section 11 from the Finance Bill 2024, which pertains to the assessment and recovery of taxes not levied, short-levied, or erroneously refunded, signifies a significant change in tax administration procedures. This section outlined the process for assessing tax liabilities, imposing penalties, and recovering unpaid taxes or erroneous refunds through formal notices and assessments by officers of Inland Revenue. Its removal suggests a potential overhaul or

restructuring of how tax assessments and recoveries will be conducted in the future. The impact of this omission will depend on the alternative mechanisms introduced or strengthened to ensure effective tax compliance, accuracy in assessments, and recovery of outstanding tax liabilities under the revised legislative framework.

- **SECTION 11B – “Limitations for issuing orders in certain cases”**

The Finance Bill 2024 proposes to substitute Section 11B with provisions from the Income Tax Ordinance 2001, specifically Section 124 as:

“For the purposes of issuing an assessment order or any other order in consequence of or to give effect to any order made by the Commissioner (Appeals), Appellate Tribunal, High Court, or Supreme Court, the provisions of section 124 of the Income Tax ordinance, 2001 (XLIX of 2001) shall apply mutatis mutandis.”

This change is likely intended to ensure greater consistency and uniformity in the limitations applicable to issuing assessment orders or any other related orders, potentially streamlining legal processes and aligning tax laws with other relevant legislation.

- **SECTION 11D – “Best judgement Assessment”**

The Finance Bill 2024 proposes to add the new section 11D after the section 11C. This new section empowers tax authorities to conduct assessments and impose penalties when taxpayers fail to comply with filing requirements or provide necessary documentation, ensuring tax administration can proceed efficiently and effectively in cases of non-compliance.

- **SECTION 11E – “Assessment of Tax and Recovery of tax not levied or short levied or erroneously refunded”**

The Finance Bill 2024 proposes to add the new section 11E. This new section enhances the authority of the Inland Revenue officer to investigate and rectify instances of tax evasion, improper claims, or erroneous refunds, ensuring compliance with tax regulations and safeguarding revenue collection for the government. It provides a structured approach to address non-compliance and impose appropriate penalties to deter such behavior in the future.

- **SECTION 11F – “Failure to withhold sales tax”**

The Finance Bill 2024 proposes to add the new section 11F this new section empowers the Inland Revenue officer to take corrective action when a person fails to fulfill their obligations regarding the withholding and depositing of sales tax, thereby reinforcing compliance with tax regulations and safeguarding government revenue.

- **SECTION 11G – “Limitation of Assessment”**

The Finance Bill 2024 proposes to add the new section 11G this new section seek to ensure timely issuance of notices, expeditious decision-making processes for orders, and clarity regarding the timing of tax payments, withholdings, and refunds. By defining the "relevant date" clearly, the sections aim to provide a structured framework for tax assessments and recovery, thereby promoting compliance and efficiency within the tax administration system.

- **SECTION 21 – “De-registration, blacklisting and suspension of registration”**

The proposed amendment to section 21 of the Sales Tax Act, 1990, substitutes "blacklist" with "issue an order of blacklisting," formalizing the process for suspending registrations due to fraudulent activities like issuing fake invoices. It aims to ensure clear documentation and procedural

adherence in such decisions, emphasizing transparency and due process. Additionally, a new subsection (5) empowers the Chief Commissioner to review and modify blacklisting orders after providing the registered person with an opportunity to be heard, reinforcing administrative oversight and fairness in handling tax fraud cases.

- **SECTION 23 – “Tax Invoices”**

The amendment proposed for sub-section (3) of the Sales Tax Act, 1990, replaces the provision allowing registered persons to issue invoices electronically to another registered person and to the tax authorities with a requirement that registered persons "shall" issue electronic invoices for taxable supplies. This change signifies a mandatory shift towards electronic invoicing, aiming to enhance efficiency, accuracy, and transparency in tax administration. By making electronic invoicing obligatory, the amendment aims to reduce manual errors, streamline compliance, and facilitate real-time reporting of transactions, aligning with global practices in tax compliance and digitalization efforts.

- **SECTION 25 – “Access to record, documents, etc.”**

The proposed substitution to Section 25 of the Sales Tax Act, 1990, introduces comprehensive changes to the audit procedures. It empowers the Commissioner to direct an Assistant Commissioner of Inland Revenue to conduct audits based on reasons recorded in writing, allowing for scrutiny of records including tax returns and financial statements. The amendment emphasizes electronic audit capabilities, permitting audits via video links or prescribed facilities. It mandates registered persons to provide access to records and documents, with provisions for physical copies if stored electronically. The Assistant Commissioner can summon third-party information and conduct investigative audits with Commissioner approval if fraud is suspected. It also outlines procedures for best judgment assessments in cases of non-compliance with document requests and provides opportunities for voluntary tax payments to mitigate penalties.

- **SECTION 25AB – “Investigative Audit”**

The Finance act propose the addition of novel section 25AB the newly introduced Section 25AB under the Sales Tax Act, 1990, empowers an officer of Inland Revenue, with the approval of the Commissioner, to initiate an investigative audit against a registered person suspected of tax fraud based on audit findings or other credible information. The audit must be completed within ninety days and utilizes records obtained from various sections of the Act. Upon completion, the officer can take several actions including issuing assessment orders under Sections 11D or 11E, blacklisting the registered person, imposing penalties, and initiating prosecution as specified in Section 33. The section also allows for disallowance of input tax claims if the registered person fails to provide necessary documentation without reasonable cause. This amendment aims to enhance tax enforcement measures by enabling targeted audits and stringent actions against potential tax evaders.

- **SECTION 26 – “Return”**

The Finance Bill 2024 proposes the addition of the novel sub-section (2A) after the omitted sub-section (2), The proposed addition of sub-section (2A) to the Sales Tax Act, 1990, by the Finance Bill 2024 grants authority to the officer of Inland Revenue to issue written notices compelling individuals who are obligated to file tax returns for specific periods but have failed to do so. Such notices mandate the filing of overdue returns within fifteen days from the date of notice, or within a period specified therein or allowed by the officer. Notably, this provision allows for issuing notices within fifteen years from the end of the financial year for cases involving tax fraud, and within five years

for other instances. This amendment aims to strengthen tax compliance by ensuring timely filing of returns, thereby enhancing regulatory oversight and enforcement under the Sales Tax Act.

• **SECTION 33 – “Offences and Penalties”**

Offences	Penalties	Section of the Act to which offence has reference	Amendments
11. Any person who, – (a) submits a false or forged document to any officer of 475[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 twenty-five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the amount of tax involved, or with both.	2(37) and General	The substitution of serial (11) in the Sales Tax Act, 1990 introduces stringent penalties for committing tax fraud. Under the revised provision, individuals who engage in tax fraud by submitting false documents, altering records, making false statements, or using forged documents face significant penalties. They are liable to pay a penalty of twenty-five thousand rupees or one hundred percent of the evaded tax amount, whichever is higher. Furthermore, upon conviction by a Special Judge, imprisonment terms are stipulated based on the amount of tax evaded: up to five years for amounts up to five hundred million rupees, and up to ten years for amounts above one billion rupees. The fine imposed can extend to an amount equivalent to the tax evaded. This amendment aims to deter tax fraud and enhance accountability within the tax system by imposing severe consequences on offenders, thereby reinforcing compliance and integrity in tax-related matters.

Offences	Penalties	Section of the Act to which offence has reference	Amendments
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 twenty-five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to five years, or with fine which may extend to an amount equal to the loss of tax involved, or with both	2(37)	The amendment under the Finance Bill 2024 replaces the existing provision of Serial no 13 regarding tax fraud with stricter penalties. According to the revised clause, anyone who commits or attempts tax fraud faces a penalty of either twenty-five thousand rupees or one hundred percent of the evaded tax amount, whichever is higher. Furthermore, upon conviction by a Special Judge, imprisonment terms can extend up to five years for evasions amounting to five hundred million rupees or more, and up to ten years for amounts exceeding one billion rupees. In addition to imprisonment, fines equivalent to the evaded tax amount are imposed. Those who aid or conspire in tax fraud also face imprisonment, with similar terms depending on the amount evaded, along with fines matching the tax evaded. These changes aim to strengthen deterrence against tax evasion and ensure stricter enforcement of tax laws to promote compliance and fairness within the tax system.

Offences	Penalties	Section of the Act to which offence has reference	Amendments
23. Any person who manufactures, possesses, transports, distributes, stores or sells 485[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 486[***]. Any person committing the offence shall pay a penalty of twenty-five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to three years, or with additional fine which may extend to an amount equal to the loss of tax involved, or with both. (ii) In case of transport of [specified goods] with counterfeited tax stamps, banderoles, stickers, labels or barcodes, or without tax stamps, banderoles, stickers, labels or barcodes, permanent seizure of the vehicle used for transportation of non-conforming or counterfeit [specified goods]; and	40C(21)	The Finance Bill 2024 proposes amendments to S. No. 23 of the Sales Tax Act regarding specified goods with counterfeit or missing tax stamps: It adds the phrase "as may be prescribed" after "outright confiscation" in clause (i). In clause (iii), it replaces "be sealed for a period not exceeding fifteen days" with "shall be liable to be sealed by an officer of Inland Revenue in the manner as may be prescribed." These changes aim to provide clearer guidelines and stricter penalties for offenses related to counterfeit tax stamps on specified goods, enhancing enforcement measures under the Sales Tax Act.



Offences	Penalties	Section of the Act to which offence has reference	Amendments
	<p>(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 fifteen days.</p>		



Offences	Penalties	Section of the Act to which offence has reference	Amendments
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 one million rupees, and if continues to commit the same offence after a period of 491[two] months after imposition of penalty as aforesaid, his business premises shall be sealed 492[till such time he integrates his business in the manner as stipulated under 493[section 40C.]	40(C)	The Finance Bill 2024 proposes an amendment to S. No. 25 . The proposed change replaces the existing provision in column (2), which states that the business of a person "shall be sealed till such time he integrates his business in the manner as stipulated under section 40C." The proposed amendment suggests replacing these words with the following: "shall be liable to be sealed by an officer of Inland Revenue in the manner as may be prescribed." This change shifts the responsibility of sealing the business from the person himself upon integration to the discretion of an officer of Inland Revenue, as per the prescribed procedure. This amendment likely aims to enhance regulatory oversight and enforcement by empowering revenue officers in the process of sealing businesses for non-compliance or other reasons outlined in section 40C.

Offences	Penalties	Section of the Act to which offence has reference	Amendments
<p>25A. A person required to integrate his business as stipulated under sub-section (9A) of section 3, 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.</p>	<p>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.]</p>	<p>Sub-section (9A) of section 3</p>	<p>The Finance Bill 2024 proposes the following amendments against S. No. 25A:</p> <ol style="list-style-type: none"> In column (1), after the expression "section 3," the expression "or sub-section (4) of section 40C," shall be inserted. In column (3), after the expression "section 3", the expression "and sub-section (4) of section 40C" shall be added. <p>These amendments indicate changes to the legislation where references to certain sections are being updated or expanded. Specifically:</p> <p>In column (1), the amendment proposes to include "or sub-section (4) of section 40C" after "section 3". This means that whatever provision is listed in column (1) will now also apply to sub-section (4) of section 40C in addition to section 3.</p> <p>In column (3), the amendment suggests adding "and sub-section (4) of section 40C" after "section 3". This indicates that the effect or applicability of whatever is mentioned in column (3) will extend to both section 3 and sub-section (4) of section 40C.</p> <p>These changes are typically made to ensure that relevant sections and subsections are appropriately covered or referenced within the legislation, often to streamline enforcement, compliance, or administrative processes as outlined in section 40C and related provisions.</p>

Offences	Penalties	Section of the Act to which offence has reference	Amendments
<p>25AA. Any licensed integrator who is authorized to provide electronic invoicing system for integration of registered persons fails to integrate such registered persons in the manner as required under this Act and rules made thereunder.</p>	<p>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.</p>	<p>sub-section (5) of section 40C.</p>	
<p>26. Any person, being a manufacturer or importer of an item which is subject to tax on the basis of retail price, who fails to print the retail price in the manner as stipulated under the Act.</p>	<p>Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher: Further, such goods shall also be liable to confiscation. However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than twenty percent of the total retail price of such goods.</p>	<p>sub-section (27) of section 2 and clause (a) of sub-section (2) of section 3.</p>	<p>The proposed amendment suggests adding the phrase "as may be prescribed" after the word "confiscation" in column (2) of Schedule I, Item No. 26. This addition implies that the conditions, procedures, or rules for confiscation will be determined or specified by relevant authorities or as outlined in regulations. Essentially, it allows for flexibility in determining the specific details and process of confiscation as per prescribed guidelines or regulations.</p>

Offences	Penalties	Section of the Act to which offence has reference	Amendments
27. Any person, being owner of the goods, which are brought to Pakistan in violation of section 40D.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher: Further, such goods shall also be liable to confiscation. However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than twenty percent of value, or retail price in case of items falling in Third Schedule, of such goods.	section 40D	The proposed amendment suggests inserting the phrase "as may be prescribed" after the word "confiscation" in column (2) of Schedule I, Item No. 27. This addition indicates that the conditions or rules governing confiscation will be determined or specified by relevant authorities or regulations. It allows for flexibility in defining the specific procedures or criteria under which confiscation will occur, as outlined in prescribed guidelines or regulations.

The proposed amendment suggests adding a new sub-section immediately after the "TABLE". The new sub-section, numbered as (2), states:

"Notwithstanding anything contained in the Code of Criminal Procedure 1898 (Act V of 1898), the offences under this Act, whose punishment may extend up to ten years."

This proposal intends to specify that despite any provisions in the Code of Criminal Procedure 1898, offences outlined in this Act that carry a maximum punishment of up to ten years will be subject to the procedures and regulations stipulated within this particular Act. Essentially, it establishes that the procedures and legal framework specific to the Act will govern such offences, overriding any potentially conflicting provisions in the older Code of Criminal Procedure.

SECTION 34 SUB-SECTION 1 Clause (a) – “Default Surcharge”

The finance Bill 2024 proposes to substitute the word “twelve” as the word “KIBOR plus three”.

The proposed amendment seeks to replace the fixed twelve percent per annum with "KIBOR plus three," indicating that the default surcharge will now be calculated based on the Karachi Interbank Offered Rate (KIBOR) plus an additional three percent per annum. This adjustment aims to align the surcharge with prevailing market interest rates, potentially reflecting a more dynamic approach to calculating financial penalties related to tax.

SECTION 40C – “Monitoring or Tracking by Electronic or other means”

The finance bill 2024 propose to add new sub-sections (4) and (5) after sub-section (3). The new sub-section shall be as follows: -

“(4) This clause empowers the Board to issue notifications requiring certain persons or classes of persons to integrate their electronic invoicing systems with the Board’s Computerized System. This integration is mandated for real-time reporting of sales.

(5) The propose new sub section states that the integration of electronic invoicing systems (referred in clause 4) will be carried out by licensed integrators. These integrators will perform the integration in the manner and mode prescribed by the Board.

SECTION 43A – “Pecuniary jurisdiction in appeals”

The Finance Bill 2024 proposed changes in Section 43A, sub-section (4), the word "September" shall substitute the word "June" and this change shall be deemed effective from June 16, 2024.

This amendment aims to extend the date of transfer of cases by 3 months i.e from 16th day of June 2024 to 16th day of September 2024. The additional three months are likely needed to ensure a smooth transition of cases, considering the complexity and volume of cases involved. This adjustment will help ensure that the transfer of cases is done efficiently and effectively without compromising the integrity of the legal process.

SECTION 45B – “Appeals”

The Finance Bill 2024 proposed change in sub-section (1) of section 45B is to insert the words "of tax" after the word "assessment.

This modification clarifies that the appeal process applies specifically to the assessment of tax, thereby specifying the scope of decisions or orders that can be appealed.

SECTION 46 – “Appeals to Appellate Tribunal.”

The finance bill 2024 proposed changes in sub-section (1) of section 46 that after the word “order”, occurring for the first time, the expression “, excluding the order of blacklisting under sub-section (2) of section 21,” shall be inserted.

The changes in the paragraph clarifies the procedure for appeals and following orders issued by tax authorities, while also specifying an exception related to the order of blacklisting under section 21 which ultimately means that orders related to black listing under section 21 are not eligible to be appealed under section 46 i.e appeal to appellate tribunal.

SECTION 47AB – “Saving”

The finance bill 2024 proposed to insert new section after section 47A, as follow: -

The proposed new section suggests that the period of limitation applicable to appeals before the commissioner (Appeals) or the Appellate Tribunal will continue to be governed by the provisions of clause (c) of subsection (1) of section 46 and sub-section (1) of section 47. This means that the time limits specified under these sections for filing appeals and their disposal will not be altered by the Tax Laws (Amendment) Act, 2024.

SECTION 73 – “Certain transactions not admissible”

The finance bill 2024 proposed to insert the phrase "in aggregate" after the word "rupees."

The proposed amendments in Section 73, Sub-section (1) in the sentence. Specifically, after the word "rupees," the phrase "in aggregate" is to be inserted. This addition aims to clarify that the payment threshold of fifty thousand rupees applies cumulatively or collectively to multiple transactions, rather than to each individual transaction separately

“THE THIRD SCHEDULE”

The proposed changes in the Third Schedule involve adding a new serial number (51) and its corresponding entries in columns (2) and (3) after serial number 50. Here's how it would look with the proposed addition:

Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
(1)	(2)	(3)
51	DAP	Respective headings.

This addition likely entails the inclusion of DAP (Diammonium Phosphate) under the respective headings within the Third Schedule. Currently, the item is included in the eight schedules.

“THE FIFTH SCHEDULE”

The finance bill 2024 proposed changes to the Fifth Schedule involve the omission of Serial numbers 12, 16, 17, and 21 from column (1), along with their corresponding entries in column (2).

Serial No.	Description	AMENDMENTS
12	The following goods and the raw materials, packing materials, sub-components, components, sub-assemblies and assemblies imported or purchased locally for the manufacture of the said goods, subject to the conditions, limitations and restrictions as prescribed by the Board]:-- (i) to (ix) [.....] (x) ... (xi) ... (xii) ... (xiii) ... (xiv) ... (xv) ... (xi) ...] (xvii) 764[Preparations suitable for infants, put up for retail sale 765[not exceeding rupees 766[six] hundred per two hundred grams] (PCT Heading1901.1000) (xviii) (xx) Colors in sets (PCT heading 3213.1000). (xxi) Writing, drawing and marking inks (PCT heading. 3215.9010 and 3215.9090) (xxii) Erasers (PCT heading 4016.9210 and 4016.9290) (xxiii) Exercise books (PCT heading 4820.2000) (xxiv) Pencil sharpeners (PCT heading 8214.1000) (xxv) other drawing, marking out or mathematical calculating instruments (geometry box) (PCT heading 9017.2000) (xxvi) Pens, ball pens, markers and porous tipped pens (PCT heading 96.08) (xxvii) Pencils including color pencils (PCT heading 96.09)”	Omitted
16	Milk (PCT heading 04.01).	Omitted
17	Fat filled milk (PCT heading 1901.9090)	Omitted
21	Local supplies of 776[commodities,] raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme,2021 notified by the Board with such conditions, limitations and restrictions as specified therein	Omitted

The proposed changes to the Fifth Schedule involve the omission of certain serial numbers and their corresponding entries in column (2). Specifically, serial numbers 12, 16, 17, and 21, along with their respective entries, will be removed from column (1) of the schedule. This adjustment indicates a deliberate exclusion of those particular items.



“THE SIXTH SCHEDULE”
TABLE-I (Imports or Supplies)

The finance bill 2024 proposed omission of Serial Nos. 13, 15, 32, 86, 87, 88, 89, 90, 96, 97, 98, 112, 120, 151, 152, 166, 169, 170, and 174, along with their corresponding entries in columns (2) and (3). Further some addition also made in the finance bill 2024 such as serial no 175 and 176. the table has been updated with the proposed changes implemented. New entries have been added, and the omitted serial numbers and their related entries have been removed. The amended table are reproduced below;



Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
(1)	(2)	(3)
13	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	Omitted
15	Fruit imported from Afghanistan excluding apples PCT 0808.1000	Omitted
32	Newsprint and books but excluding brochures, eaflets and directories	Omitted
86	Colors in sets(Poster colors)	Omitted
87	Writing, drawing and making inks	Omitted
88	Erasers	Omitted
89	Exercise books	Omitted
90	Pencil sharpeners	Omitted
96	Other drawing, marking out or mathematical calculating instruments (geometry box)	Omitted
97	Pens, ball pens, markers and porous tipped pens	Omitted
98	Pencils including color pencils	Omitted

112	<p>Following cardiology/cardiac surgery, eurovascular, electrophysiology, endosurgery, endoscopy, oncology, urology, gynaecology, disposables and other equipment:-- A. ANGIOPLASTY</p> <p>PRODUCTS</p> <ol style="list-style-type: none"> 1. Coronary Artery Stents 2. Drugs Eluting Coronary Artery Stents 3. Coronary Artery Dilatations Catheters (Balloons) 4. PTCA Guide Wire 5. PTCA Guiding Catheters 6. Inflation Devices/Priority Packs 7. 852[Optical Coherence Technology (OCT) System 8. OCT Catheters 9. Intravascular Ultrasound (IVUS) 10. Fractional Flow Reserve (FFR/IFR) System 11. IVUS/FFR/IFR Catheters and wires 12. Support Micro Catheters (Straight and Angled) 13. Drug Coated Angioplasty Balloon 14. Coronary and Peripheral Micro Coils 15. Thrombectomy Device 16. Thrombus Aspiration Catheters 17. Covered Stents (Coronary/Peripheral) 18. Vessel Closure Devices 19. Embolic Protection Devices 20. Renal Stents 21. Vena-cava Filters 22. Coronary and Peripheral Snares 23. Atherectomy Devices 24. IABP Consoles & Catheters 25. Intracardiac Echocardiography Machine & Catheters] <p>B. ANGIOGRAPHY PRODUCTS</p> <ol style="list-style-type: none"> 1. Angiography Catheters 2. Sheaths 3. Guide Wires 4. Contrast Lines 5. Pressure Lines 6. Mannifolds 7. 853[Wrist Bands for Radial Vessel Closure] <p>C. CONTRAST MEDIA FOR ANGIOGRAPHY/ANG IOPLASTY</p> <ol style="list-style-type: none"> 1. Angiography Accessories 2. ASD Closure Devices 3. ASD Delivery Systems 4. VSD Closure Devices 5. VSD Delivery System 6. Guide Wires 7. Sizing Balloons 8. Sizing Plates 	Omitted
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	<p>9. PDA Closure Devices 10. PDA Delivery System D. TEMPORARY PACEMAKERS (with leads, connectors and accessories) E. PERMANENT PACEMAKER. (with leads, connectors and accessories) F. HEART FAILURE DEVICES (with leads, connectors and accessories) G. IMPLANTABLE CARDIOVERTES (with leads, connectors and accessories) H. CARDIAC ELECTROPHYSIOLOGY PRODUCTS 1. Electrophysiology catheters 2. Electrophysiology cables 3. Electrophysiology connectors 4. 854[Excimer Laser System with Accessories 5. Laser Sheath, Occlusion Balloons, Dilator Sheaths (Rotation & Manual) 6. Intra Cardiac Echocardiography (ICE) System and Accessories 7. Lead Locking Devices and Accessory Kit 8. Remote EP Monitoring Device and Accessories 9. Ablation catheters 10. 3-D Cardiac Mapping System 11. Cryoballoon System and Accessories] I. LEAR CARDIOLOGY PRODUCTS 1. Radioactive isotopes. Cold kits (cardiolotic MAA, DTPA etc.) J. CARDIAC SURGERY PRODUCTS 1. Oxygenators 2. Cannulas 3. Prosthetic Heart Valves 4. Luminal shunts for heart surgery 5. Artificial limbs and appliances 6. 855[High-Flow, Low Profile Percutaneous Heart Pump PHP Console and Catheters 7. Tandem Heart / Tandem Lung and Accessories 8. Ventricular Assist Device System (a) Heart Mate-II (b) Heart Mate-III (c) Centri Meg LEOV 9. Beating Heart Surgery stabilizers & Coronary Shunts 10. Minimally invasive surgery equipment & Instruments 11. RF Ablation equipment for AF (Surgical) 12. Heart Lung Machines] K. EQUIPMENT 1. Cardiac Angiography Machine 2. Echocardiography Machines</p>	
	<p>3. ETT Machines 4. Gamma Camera for Nuclear Cardiology</p>	

120	<p>Diagnostic kits or equipment, namely:- HIV Kits 4C Es Trionyx 5C Cell control Lnormal Bovine precision multi sera Pregnancy test DNA SSP DRB Generic IC Reticulocyte count (control) retic C Control Kit for vitamin B12 estimation Ferritin kit HEV (Hepatitis E virus) ID-DA Cell Urine Analysis Strips Albumin beg Cratinin sysi Ring Detektiion cups ISE Standard Alkaline phosphatase (Alb) Bilirubin kit HDL Cholesterol Ck creatinin kinase (mb) Ck nac Glucose kit Ammonia Modular Lac Ldh kit (lactate dehydrogenase kit) Urea uv kit Ua plus Tina quant Crp control Aslo tin Proteins Lipids HDL/LDL cholesterol Protein kit Control Sera Pac Control HCV UIBC (Unsaturated iron binding capacity) U/CSF Inorganic Phosphorus kit Kit amplicon kit (for PCR) IgeLc hsv Oligo NA/K/CL Hcy Standard [or calibrated] Hla B27 Liss Coombs Typhoid kit HCV amp Urine test strips Strips for sugar test</p>	Omitted
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	<p>Blood glucose test strips Kits for automatic cell separator for collection of platelets Elisa or Eclia kit PCR kits Immunoblast (western blot test). I.C.T. (Immunochromatographic kit) CBC Reagent (For hematology analyzer) Complete blood count reagent</p>	
151	<p>(a) Supplies; and (b) imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas, as defined in the Constitution of Islamic Republic of Pakistan,– as made till 895[30th June, 2024], to which the provisions of the Act or the notifications issued thereunder, would have not applied had Article 247 of the Constitution not been omitted under the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018): Provided that, in case of imports, the same shall be allowed clearance by the Customs authorities on presentation of a post-dated cheque for the amount of sales tax payable under the Sales Tax Act, 1990, and the same shall be returned to the importer after presentation of a consumption or installation certificate, as the case may be, in respect of goods imported as issued by the Commissioner Inland Revenue having jurisdiction: Provided further that if plant, machinery and equipment, on which exemption is availed under this serial number, is transferred or supplied outside the tribal areas, the tax exempted shall be paid at applicable rate on residual value</p>	Omitted
152	<p>Supplies of electricity, as made from the day of assent to the Constitution (Twenty-fifth Amendment) Act, 2018, till 896 [30th June, 2024], to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas which were set and started their industrial production before 31st May, 2018, but excluding steel and ghee or cooking oil industries</p>	Omitted

165	Goods imported by or donated to hospitals run by the non-profit making institutions subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969, (IV of 1969)	words "imported by or" shall be omitted
166	Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.	Omitted
169	Oil cake and other solid residues	Omitted
170	Tractor	Omitted
174	Machinery and equipment as listed at serial number 32 of the Table of Part-I of Fifth Schedule to the Customs Act, 1969 (IV of 1969), subject to the conditions, limitations and restrictions specified thereunder.	Omitted
175 (Proposed Addition)	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. Subject to the recommendations of the Minister In charge 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.	9908 (i) and 9911."
176 (Proposed Addition)	POL products: (i) MS (Petrol) (ii) High Speed Diesel Oil (iii) Kerosene (iv) Light Diesel Oil	2710.1210, 2710.1931, 2710.1911 and 2710.1921

**“THE SIXTH SCHEDULE”
TABLE-2 (Local Supplies only)**

The finance bill 2024 proposed omit serial no.7 and 21 in table 2 of the sixth schedule. Further the finance bill made addition of serial no 56 and 57. The amendments in table 2 of the sixth schedule are produced below;

Serial No.	Description	Amendments
7	vermicillies, , sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the ategory of Tier-1 retailer	Omitted
21	Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal	Omitted
56 (Proposed Addition)	Milk excluding that sold under a brand name	04.01.
57 (Proposed Addition)	Iron and steel scarp	7204.4100 7204.3000 7204.4990

**THE EIGHT SCHEDULE”
TABLE-1**

The finance bill 2024 omit serial no.58,66 and 73 entries relating thereto in columns (2),(3),(4) and (5) in table 1 of the eight schedule. The following amendments also reproduced in the table below;

S.No.	Description	Amendments
58	LPG	Omitted alongwith column 2,3,4 and 5
66	Supplies as made from retail outlets as are integrated with Board’s computerized system for real-time reporting of sales	Omitted alongwith column 2,3,4 and 5
73	Locally manufactured Hybrid electric vehicle: (a) Upto 1800 cc (b) From 1801 cc to 2500 cc	Omitted alongwith column 2,3,4 and 5
77	Imported personal computers and Laptop computers, notebooks whether or not incorporating multimedia kit	Rate 5% substituted with 10%

S.No.	Description	Amendments
81	Substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976) and medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except the following, even if medicated or medicinal in nature, namely:- (a) filled infusion solution bags imported with or without infusion given sets; (b) scrubs, detergents and washing reparations; (c) soft soap or no soap; (d) adhesive plaster; (e) surgical tapes; (f) liquid paraffin; (g) disinfectants, and (h) cosmetics and toilet preparations. This substitution shall be deemed to have been made from the 1st day of July, 2022.	After the expression “(XXXI of 1976)”, the following shall be omitted, namely:- “and medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except the following, even if medicated or medicinal in nature, namely:- (a) filled infusion solution bags imported with or without infusion given sets; (b) scrubs, detergents and washing preparations; (c) soft soap or no soap; (d) adhesive plaster; (e) surgical tapes; (f) liquid paraffin; (g) disinfectants, and (h) cosmetics and toilet preparations. This substitution shall be deemed to have been made from the 1st day of July, 2022.

The finance bill 2024 proposed inclusion of new serial numbers in Table 1 of the Eight schedule. The new additions also reproduced below;

S. No	Description	HS Code	Rate of sales tax	Condition
84	Colors in sets	3213.1	10%	
	(i) Writing, drawing and marking inks	3215.9010 and 3215.9090		
	(ii) Erasers	4016.9210 and 4016.9290		
	(iii) Exercise books	4820.2		
	(iv) Pencil sharpeners	8214.1		
	(v) other drawing, marking out or mathematical calculating instruments (geometry box)	9017.2		
	(vi) Pens, ball pens, markers and porous tipped pens	96.08		

S. No	Description	HS Code	Rate of sales tax	Condition
	(vii) Pencils including color pencils	96.09		
85	(a) Supplies; and (b) imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas, as defined in the Constitution of Islamic Republic of Pakistan-	Respective headings	(i) 6% till 30.06.2025 (ii) 12% from 1.7.2025 till 30.06.2026	Provided that, in case of imports, the same shall be allowed clearance by the Customs authorities on presentation of pay order for the amount of tax payable under this Act and the same shall be returned to the importer after presentation within six months of a consumption or installation certificate, as the case may be, in respect of goods imported as issued by the Commissioner Inland Revenue having jurisdiction: Provided further that if plant, machinery and equipment, on which exemption is availed under this serial number, is transferred or supplied outside the tribal areas, the tax exempted shall be paid at applicable rate on residual value
86	Supplies of electricity, as made to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas which were set and started their industrial production before 31st May, 2018, but excluding steel and ghee or cooking oil industries	2716.0000	(i) 6% till 30.06.2025 (ii) 12% from 1.7.2025 till 30.06.2026	
87	Oil cake and other solid residue	2306.10	10%	
88	Tractors	8701.9220 and 8701.9320	10%	

S. No	Description	HS Code	Rate of sales tax	Condition
89	Local supply of vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers.	Respective headings	10%	
90	Local supply of poultry feed, cattle feed, unflower seed meal, rape seed meal and canola seed meal	2306.3000, 2306.4900 and respective headings	10%	Subject to the condition that refund of excess input tax, if any, shall not be admissible.
91	Newsprint and books but excluding brochures, leaflets and directories	Respective headings	10%	Subject to the condition that refund of excess input tax, if any, shall not be admissible.”.

**“THE NINTH SCHEDULE”
TABLE-II**

The finance bill 2024 substitute the ninth schedule table 2 as follows;

S. No.	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)
1	2	3	4	5
1	Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category: - -			
	A. Not exceeding US\$ 500	18% ad valorem	18% ad valorem	18% ad valorem
	B. Exceeding US\$ 500	25% ad valorem	18% ad valorem	18% ad valorem

The finance bill 2024 also proposed the omission of clauses (iii), (iv), and (v) under the heading "LIABILITY, PROCEDURE AND CONDITIONS" located after Table-II of the ninth schedule.

**“THE ELEVENTH SCHEDULE”
TABLE**

The finance bill 2024 proposed changes in table of eleventh schedule as follows;

S. No.	Withholding Agent	Supplier Category	Rate Or Extent Of Deduction
7	Registered persons manufacturing lead batteries	Persons supplying any kind of lead under chapter 78 (PCT Headings: 7801.1000, 7801.9100, 7801.9900, 7802.0000, 78.03, 7804.1100, 7804.1900, 7804.2000, 78.05, 7806.0010, 7806.0020, 7806.0090) or scrap batteries under chapter 85 (PCT Headings: 1007[Respective e headings]	Rate 75% substituted with 80%
9	Registered persons manufacturing cement (Proposed Addition)	Persons supplying any kind of gypsum under chapter 25 (PCT headings 520.1010, 2520.1020, 2521.0000) or limestone flux under chapter 25 (PCT headings 2520.1010, 2520.1020, 2521.0000)	80% of the sales tax applicable
10	Registered persons (Proposed Addition)	Persons supplying any kind of coal under chapter 27 (PCT headings 2701.1100, 2701.1200, 2701.1900, 2701.2000, 2704.0010, 2704.0020, 2704.0090) or	80% of the sales tax applicable
11	Registered persons (Proposed Addition)	Persons supplying any kind of waste of paper and paper board (Respective headings)	80% of the sales tax applicable



S. No.	Withholding Agent	Supplier Category	Rate Or Extent Of Deduction
12	Registered persons (Proposed Addition)	Persons supplying any kind of plastic waste Respective headings)	80% of the sales tax applicable
13	Registered persons (Proposed Addition)	Persons supplying crush stone and silica	80% of the sales tax applicable

The finance bill 2024 proposed to substitute the clause (viii) located after the eleventh schedule table as follow;

“Supplies made by an Active Taxpayer as defined in the Sales Tax Act, 1990 to another registered person with the exception of supplies referred to in S. Nos. 5, 7, 9, 10, 11, 12 and 13 of the Table.”;

The proposed change to clause (viii) in the TABLE specifies that supplies made by an Active Taxpayer under the Sales Tax Act, 1990 to another registered person are exempt, except for those listed in Schedule Nos. 5, 7, 9, 10, 11, 12, and 13.

“THE TWELFTH SCHEDULE”

Clause (2) sub-clause (iv) “Cellular mobile phones or satellite phones”

The finance bill 2024 proposed addition after the word “Phones” the expression “(PCT headings 8517.1419, 8517.1430 and 8517.1390)”

The proposed changes involve adding the expression "(PCT headings 8517.1419, 8517.1430 and 8517.1390)" after the word "phones" in clause (2)(iv) of the Procedure and Conditions section in the Twelfth Schedule. This addition clarifies that the specified PCT headings are now included under the conditions outlined in sub-clause (iv).

SALIENT FEATURES IN CUSTOMS ACT 1969

GUIDING PRINCIPLES:

- No increase of duties on import of essential items
- Providing relief for common man.
- Promote and protect domestic industry and enhance import-substitution.
- Tariff rationalization to reduce the cost of exemption.
- Promotion of Energy efficiency & Conservation.
- Incentives for agriculture sector.
- Facilitate the exports.

RELIEF MEASURE:

1. Exemption of ACD on raw materials of Fluids and Powders for use in Hemodialyzers.
2. Exemption of Customs duties on Bovine lipid extract surfactant.

REVIEW OF REGULATORY (RD) REGIME:

3. Levy / increase of RD on certain items to encouraging local manufacturing.
4. Rationalization of RD on import of new and used vehicles.
5. Increase / levy of RD on flat rolled products of iron and non-alloy steel.
6. Withdrawal of exemption of RD on import of ground nuts and margarine imported by Food Confectionary.
7. Continuation of RD on import of Chloroparafins liquid.
8. Withdrawal of RD on import of Sliver cans and Lollipop sticks.

REVIEW OF EXEMPTION REGIME:

1. Withdrawal of concession of customs duties on import of fresh & dry fruits.
2. Review exemption of duties on import of inputs for Home Appliances.
3. Withdrawal of concessions of duties on import of Hybrid Vehicles.
4. Reduction in concession of customs duties on import of Electric vehicles having value above US\$ 50,000.
5. Incentives for manufacturing of Solar Panels and Allied Equipment.
6. Extension in scope of exemptions on import of machinery and equipment for farming and processing of Fish/Shrimp and Seafood.

TARIFF RATIONALIZATION:

1. Increase of Customs duty on Import of Containers for Aerosol Products.
2. Rationalization of Customs duty on import of parts of submersible pumps.
3. Rationalization of Customs duties on import of Wheat, Sugar, HSD, LNG.
4. Streamlining the imports of Aviation Related Good.

MISCELLANEOUS:

1. Levy of Additional Customs Duty on localized auto parts to incentivize local manufacturing sector.
2. Creation of new PCT codes for Rice Flour, Night vision goggles, Blood Collection Tubes, Solar Cable, Tyre Tube Valves to facilitate trade.

LEGISLATIVE CHANGES:

1. Definitions of “Nuclear Material” and “Radioactive Material” included, for implementation of National Nuclear Detection Architecture (NNDA) regime.
2. Establishment of Directorate General of National Targeting Centre (NTC), as a national single window of enforcement for all LEAs and Directorate General of Trade Based Money Laundering for cognizance of offences related to trade-based money laundering.
3. Officers of National Command Authority (NCA) and Pakistan Nuclear Regulatory Authority (PNRA) empowered to implement and enforce Customs Act.
4. Intelligence Bureau (IB) added in the list of Government agencies mandated to assist Customs in investigations.
5. Power for extension of detention period assigned to Additional Collector or Additional Director for smooth functioning.
6. Two new penal clauses are proposed to take cognizance of offences related to nuclear and radioactive material.
7. Rationalization of pitch of penalty for the importers seeking clearance of declared confiscated goods against payment of redemption fine.
8. Enhanced prescribed penalty against a police officer who having seized goods fails to deliver such goods to custom house.
9. Penalties enhanced to deter smugglers and miscreants from attacking Customs personnel, in view of recent attacks on Customs staff.
10. To deter the possibility of illegal removal and pilferage of smuggled goods liable to confiscation placed in the custody of owner, penal provision is proposed.
11. Changes are made with the objective of making the system more efficient by accelerating the disposal of pending cases in the Customs Appellate Tribunal.
12. Changes are made with a view to ensure that the cases are swiftly decided in the High Courts and also to meet the principles of natural justice and fair trial.
13. Strengthening the provision of Alternate Dispute Resolution mechanism.

SALIENT FEATURES IN FEDERAL EXCISE ACT 2005

The proposed budgetary measures pertaining to Federal Excise Duty (FED) for FY 2024- 25 are:

1. Imposition of FED on acetate tow @ Rs. 44,000 is proposed.
2. Imposition of FED on nicotine pouches @ Rs. 1200 per kg.
3. enhancement of FED on e-liquids is also proposed.
4. FED @ Rs. 15 per kg on supply of sugar to manufacturers.
5. The rate of FED on cement is being enhanced from Rs. 2 per kg to Rs. 3 per kg.
6. FED on commercial properties and first sale of residential properties @ 5%.
7. Rate of FED on filter rod to be enhanced from Rs.1500 per kg to Rs.80,000 per kg.
8. power to seal business premises of retailers selling illicit cigarettes.
9. Exemption from FED to diplomats and diplomatic mission.
10. Price threshold for local manufactured cigarettes increased from Rs. 9,000 to Rs.12,500.

📄 **SECTION 8 – Default Surcharge**

The Finance Bill 2024 proposes the word “KIBOR plus three” to be substituted for the word "twelve" in section 8.

The Finance Bill 2024 proposes replacing the fixed rate of "twelve" with a variable rate of "KIBOR plus three" for chargeability of default surcharge.

📄 **SECTION 19 Sub-section 3 – Offences, penalties, fines and allied matter**

The Finance Bill 2024 proposes to rationalize the wording of clause (d) of sub section 3 of section 19 by removing the redundant word “and”.

In summary, the proposed removal of the redundant word “and” in clause (d) of sub-section 3 of section 19 is a minor but essential step towards improving the clarity, precision, and consistency of the legal text, facilitating better understanding and application of the Federal Excise Duty Act.

📄 **SECTION 19 Sub-section 3 - Offences, penalties, fines and allied matter**

The Finance Bill 2024, in clause (e) of sub-section 3 of section 19, proposes insertion of the word “and” after the expression under and thereafter the new clause shall be added namely.

“(f) where the value of the plant and machinery is rupees fifty million and above, installs such plant and machinery, commences production or removes such plant and machinery without prior permission of the Commissioner.”

The proposed addition of the word “and” in Clause (e), followed by the introduction of a new clause, ensures that the scope of penalty is enlarged with respect to person who:

- Is involved in manufacturing dutiable goods
- Contravenes the Act or rules by:
 - Installing plant and machinery worth Rs. 50 million or more without permission
 - Commencing production without permission
 - Removing such plant and machinery without permission.

In the above newly added clause, it is added that if new plant or machinery is purchased for fifty million or above then prior approval of commissioner is mandatory for commencement of production or removal of plants or machinery.

SECTION 19 Subsection 10A,

After subsection 10, a new section insertion proposed by the finance bill 2024 states that “10A. If any retailer is found selling cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes, notwithstanding any other provision of this Act, the retail outlet of such person shall be liable to be sealed in the manner as may be prescribed.

The Finance Bill 2024 proposes a new Subsection (10A) in Section 19 of the FED Act 2005, stating that any retailer found selling cigarette packs without authentic tax stamps or using counterfeit ones may have their retail outlet sealed.

This amendment aims to enforce strict compliance with tax stamp regulations for cigarettes, ensuring that retailers adhere to legal requirements to prevent illicit trade practices.

SECTION 33 Subsection 1 - Appeals to Commissioner (Appeals)

In subsection (1) after the word “assessment” the word “of tax” inclusion is proposed by finance bill 2024.

The Finance Bill 2024 proposes to clarify Subsection 33(1) of the FED Act 2005 by inserting the words "of tax" after the word "assessment."

This amendment aims to provide explicit clarity that appeals to the Commissioner (Appeals) pertain specifically to assessments of tax under the Act, ensuring precision in legal interpretation and procedural adherence.

SECTION 33A Subsection 4, Pecuniary Jurisdiction in Appeals.

The Finance Bill 2024 proposes a straightforward change in Section 33A, Subsection 4 of the FED Act 2005, substituting the word "June" with "September," effective from June 16th, 2024.

This amendment adjusts the pecuniary jurisdiction in appeals, aligning it with updated timelines specified by the legislation.

SECTION 34AB - Reference to the High Court.

The Finance Bill 2024 proposes a new Section 34B in Section 19 of the FED Act 2005. This section ensures that the existing periods of limitation under Subsection (1) of Section 34 and Subsection (1) of Section 34A continue to apply if the decision of the Commissioner (Appeal) or the Appellate Tribunal is received before the commencement of the Tax Laws (Amendment) Act, 2024 (V of 2024).

First Schedule, in Table-I (Excisable Goods) in column (1)

(i) The Finance Bill 2024 propose that after S. No. 7, a new serial number and entries relating thereto in columns (2), (3) and (4) shall be inserted, namely

"7a	Acetate tow	Respective Heading	Rupees forty-four thousand per kg".
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This amendment reflects a targeted adjustment in excise duty rates, likely aimed at aligning tax policy with economic considerations or market conditions specific to Acetate tow.

(ii) The finance bill 2024 proposes inclusion of the words “or sixty five percent of retail price whichever is higher”, after the words “per kg”.

(iii) The Finance Bill 2024 proposes an addition to S. No. 8a of the FED Act 2005, specifically in column (4), where it suggests adding the phrase "or sixty-five percent of retail price, whichever is higher" after the existing "per kg."

This amendment aims to ensure that the excise duty calculation on the specified item considers either a fixed rate per kilogram or a percentage of the retail price, whichever amount is greater. This approach helps in maintaining revenue consistency for the government while adapting to market fluctuations in retail pricing.

(iv) After S. No. 8c the following new serial number and entries relating thereto in column (2), and (3) and (4) shall be inserted, namely;

"8d.	Nicotine pouches	Respective heading	Rupees one thousand and two hundred per kg"
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The proposal to introduce a new serial number 8d in the FED Act 2005, imposing an excise duty of Rupees one thousand and two hundred per kg on Nicotine pouches, indicates regulatory efforts to incorporate emerging tobacco and nicotine products into the taxation framework. This amendment aims to ensure equitable taxation and regulatory oversight over a rapidly evolving sector.

(v) Against S. No 9, in column (2) for the word” nine thousand”, the word “twelve thousand five hundred” shall be substituted;

The proposed substitution in the FED Act 2005, changing the excise duty rate from "nine thousand" to "twelve thousand five hundred" against S. No. 9 in column (2), reflects an adjustment aimed at aligning tax rates with economic considerations or revenue targets.

(vi) Against S. No 10, in column (2) for the word “nine thousand”, the word twelve thousand five hundred” shall be substituted;

The proposed substitution in the FED Act 2005, replacing "nine thousand" with "twelve thousand five hundred" against S. No. 10 in column (2), indicates a revision in the excise duty rate for the specified goods. This adjustment likely aims to reflect current economic conditions or revenue considerations, ensuring appropriate taxation levels for the designated excisable items.

(vii) Against S. No 13, in column (4), for the word “two” the word “three” shall be substituted.
The proposed substitution in the FED Act 2005, changing the word "two" to "three" in column (4) against S. No. 13, likely adjusts the specific parameter or rate associated with the excisable goods listed. This amendment reflects a regulatory response to economic factors or policy objectives relevant to the designated items under this serial number.

(viii) Against S. No. 56, in column (4), for the word “fifteen hundred”, the word “eighty thousand” shall be substituted; and

The proposed substitution in the FED Act 2005, replacing "fifteen hundred" with "eighty thousand" in column (4) against S. No. 56, signifies a significant adjustment in the excise duty rate applicable to the specified goods. This amendment likely reflects a strategic effort to align taxation with

economic realities, revenue requirements, or regulatory priorities related to the designated items under this serial number.

- (ix) After S. No 62, the following new serial numbers and entries relating thereto in columns (2), (3) and (4) shall be added namely;

"63	Allotment or transfer of commercial property and First allotment or transfer of residential property in such mode and manner and subject to such conditions and restriction as may be prescribed by the Board	Respective headings	5%
64.	Sugar supplied by any person to a manufacturer	Respective heading	Rupees fifteen per kg

- Serial Number 63:** The addition of a new entry for "Allotment or transfer of commercial property and First allotment or transfer of residential property" under respective headings, subject to conditions prescribed by the Board, with a 5% duty, aims to regulate property transactions and generate revenue from commercial and residential real estate transfers.
- Serial Number 64:** Introducing an excise duty of Rupees fifteen per kg on sugar supplied by any person to a manufacturer is likely intended to streamline taxation within the sugar industry, ensuring compliance and revenue generation while addressing market dynamics.

These amendments align with fiscal policies aimed at broadening the tax base, ensuring equitable taxation, and supporting regulatory oversight in relevant sectors.

(7) after the Table-I, - in the marginal heading, for the expression (2) Variants at different price point ". the expression "Restriction-2 -Brand variant at different price point" shall be substituted and at the end the following Explanation shall be added namely: -

"Explanation. -For the purpose of this restriction, brand variant means any cigarette brand with similar logo, name, colour, design, pattern or any unique distinguishing mark associated with an existing brand family"

The proposed amendment in the FED Act 2005 introduces the word Restriction-2 before Brand variant at different price point" after Table-I. The addition of an Explanation clarifies that "brand variant" refers to any cigarette brand that shares similarities in logo, name, color, design, pattern, or unique distinguishing marks with an existing brand family.

This amendment aims to prevent manufacturers from creating multiple variants of the same brand with slight modifications to evade taxation, ensuring effective regulation and fair enforcement within the tobacco industry.

Third Schedule; Conditional Exemption

- (8) In the Third Schedule, in Table-I, in column (1), after S. No. 22 the following new S. No. and entries relating thereto in columns (2) and (3) shall be added namely: -

"23	Import made by diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts, Orders, Rules, Regulations and Agreements passed by the Parliament or issued or agreed by the Government of Pakistan.	99.01, 99.02 and 99.05
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The proposed addition of S. No. 23 in the Third Schedule of the FED Act 2005 aims to provide conditional exemption for imports made by diplomats, diplomatic missions, privileged persons, and privileged organizations covered under various Acts, Orders, Rules, Regulations, and Agreements passed or agreed by the Government of Pakistan. This exemption covers goods classified under tariff headings 99.01, 99.02, and 99.05.

This amendment acknowledges the diplomatic privileges and immunities accorded to foreign missions and personnel under international law and domestic regulations. It facilitates smoother operations for diplomatic missions and ensures compliance with international agreements and protocols governing diplomatic relations.