

Budget Insight 2026-27

The background is a long-exposure photograph of a multi-level highway interchange at night. The image is dominated by vibrant light trails in shades of blue, green, and red, created by the movement of vehicles. The perspective is from an elevated position, looking down at the complex road structure. The overall mood is dynamic and forward-moving.

**Onwards
With Stability**

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- **Avais Hyder Liaquat Nauman, Chartered Accountants, has been part of the RSM network since 1996;** offering a wide range of services to national as well as international clients. Our firm has steadily grown over the years to emerge among the top 10 firms in the country.

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RSM statistics



56,000

People worldwide



500

Offices



120

Countries

Foreword

Economic Outlook & Budget Update for Pakistan (2026-27)

We are delighted to share this publication with our valued clients and associates, providing insights into Pakistan's current economic outlook and the key amendments proposed in the Finance Bill 2026-27.

This memorandum aims to provide a general overview of the changes affecting businesses and individuals. Please note that this is not an exhaustive summary, and we recommend consulting the original text of the Bill, relevant provisions, and notifications for a comprehensive understanding.

The information presented in this publication is accurate to the best of our knowledge and belief at the time of issuance. However, this publication is for general information purposes only and should not be considered professional advice.

Before making any decisions or taking actions that may impact your finances or business, we recommend consulting a qualified professional advisor. If you have any questions or require further information regarding the budget announcements, please do not hesitate to contact our partners or the individuals listed in this publication.

We hope you find this guide informative and useful.

Best regards,
RSM Pakistan

Economic Overview

Onwards
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FY2026 Outlook & Recent Developments

PAKISTAN FY2025–26 — KEY OUTCOMES (ECONOMIC SURVEY)

3.7%	\$452B	\$1,901	7.2%
Real GDP Growth	Economy Size (record)	Per Capita Income	Avg. Inflation Jul–May
↑ from 3.18% in FY25; 4-yr high	126.9 trillion PKR	↑ from \$1,751 in FY25 (+8.6%)	↓↓ from 23.4% in FY25

According to the latest June 2026 data, Pakistan’s economy has shown remarkable resilience, though external pressures continue to threaten near-term stability:

Growth Rebound: The newly presented Pakistan Economic Survey 2025-26 confirmed that GDP growth reached **3.7%**, beating the 3.1% to 3.2% initial forecasts made by the World Bank and IMF earlier in the year. The size of the economy reached a record **Rs 126.9 trillion** (approx. \$452 billion), and per capita income rose to **\$1,901**.

Inflation Moderation: The SBP's tight monetary stance and continued fiscal consolidation efforts helped bring average National CPI inflation down to around **5.2%** in the first half of FY26. The IMF's April 2026 estimates project the year's average to settle around **7.2%**.

Emerging Headwinds: Despite reaching stabilization milestones and building stronger foreign exchange buffers, the ongoing conflict in the Middle East has disrupted energy supplies and raised global commodity prices. These supply chain disruptions pose significant upside risks to inflation and could widen the current account deficit heading into FY27.

Pakistan Economy & Global Context

IMF EFF Program

Active · FY2024–27

Year	Global GDP Growth	Global Average Inflation
2024	3.2% (IMF)	~5.8% (IMF)
2025	2.7% (World Bank) to 3.2% (IMF)	3.3% (World Bank) to ~4.4% (IMF)
2026	2.5% (World Bank) to 3.1% (IMF)	4.0% (World Bank)

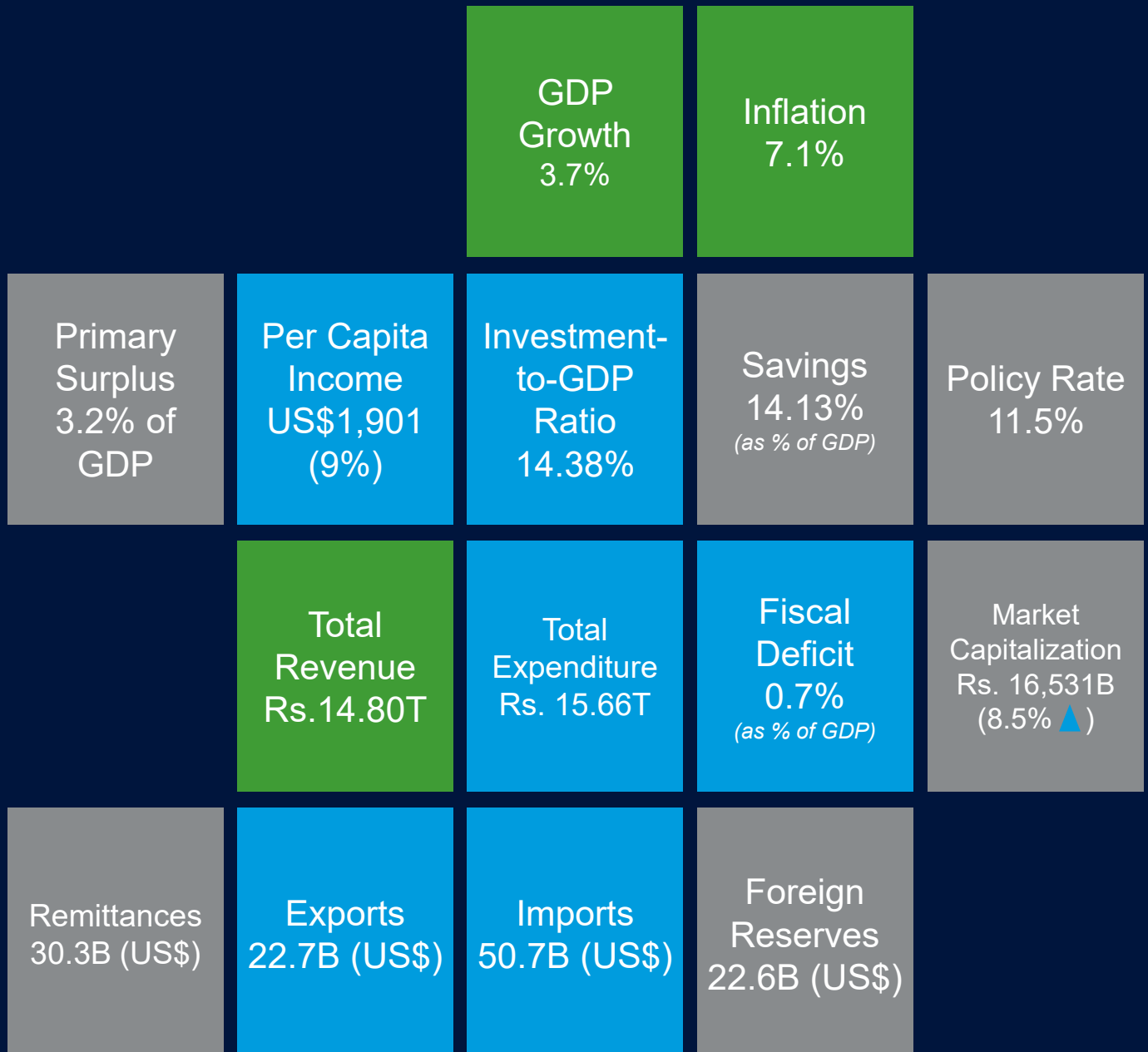
REGIONAL GDP GROWTH COMPARISON — FY2025 ACTUAL vs FY2026 PROJECTION

Economy	FY2025 Actual/Est.	FY2026 Target/Proj.	Note
India	7.2%	6.5%	Fastest-growing major economy; robust domestic demand
Bangladesh	4.8%	5.0%	Recovery continues; structural reforms pending
Sri Lanka	4.0%	3.6%	Post-crisis rebound; scarring effects persist
Pakistan	3.7%	4.0%	Stabilization phase; 4-year high; IMF-backed
China	4.8%	4.2%	Moderated growth; trade headwinds
USA	2.0%	2.0%	Steady; inflation above target
Global avg.	3.3%	3.1%	Slowing; Middle East conflict impact
Emerging mkts	4%+	4%+	Above global avg.; divergent paths

Fiscal Year	Real GDP Growth	Average CPI Inflation
FY2024	2.6%	~23.4%
FY2025	3.2%	~12.6%
FY2026	3.7%	~5.2% – 7.2%

Pakistan grew 3.7% in FY26 — fastest in 4 years but below 4.2% target. Economy size hit \$452bn with per capita income at \$1,901. Global growth slowed to ~2.5-3.1% due to Middle East conflict + oil shock. Budget 2026-27 targets 4% GDP growth with focus on “stabilisation, reform & growth”

Economic Indicators*



*Certain figures reflect 9-months' result

Performance Indicators


Agriculture

GDP share 23.4%
Growth 2.89%


Livestock

3.75% 


Forestry

2.02% 

Fishing

1.66% 

Crops

1.44% 


Industrial

GDP share 18.14%
Growth 3.51%


Mining & Quarrying

0.4% 


Manufacturing

6.6% 

Utilities (10.6%)



Construction

5.7% 

Services

GDP share 58.42%
Growth 4.09%

- Wholesale & Retail – 3.7%
- Transport & Storage – 2.3%
- Real Estate – 3.6%
- Hotel & Restaurant – 3.9%
- Information & Communication – 7.5%
- Finance & Insurance – 0.3%
- General Government – 8.5%
- Education – 5.2%
- Health & Social work – 6.9%
- Other Private Sector – 3.7%

BUDGET TARGETS – 2026-27

Economic Growth	4.0%
Average Inflation Rate	8.2%
Budget Deficit	3.6% of GDP
Primary Surplus	2.0% of GDP
FBR Revenue Targets	PKR 15,264 billion (+17.6%)
Provincial Share (NFC)	PKR 8,848 billion
Federal Non-tax Revenue	PKR 5,336 billion
Net Federal Revenue	PKR 11,751 billion
Total Federal Expenditure	PKR 18,771 billion
Markup Payments	PKR 8,054 billion
Defence Allocation	PKR 3,000 billion
PSDP (Federal)	PKR 1,000 billion
BISP Allocation	PKR 838 billion (+17%)
PM's Apna Ghar Scheme	PKR 71 billion

Agriculture Sector

Pakistan's agriculture sector demonstrated resilience during FY2025-26 despite the adverse impact of the 2025 floods and continuing climate-related challenges. The sector recorded growth of 2.89%, compared with 1.53% in same period in FY2024-25, supported by improved crop production, livestock expansion, and timely policy interventions. Agriculture remained a key contributor to economic recovery and food security.

The sector's performance was mixed across sub-sectors:

- **Livestock sector:** Growing by 3.75%, compared with 2.95% with same period last year, remaining the largest contributor to agricultural value added, supported by increasing demand for dairy, meat, and poultry products.
- **Forestry sector:** Recording a growth rate 2.02%, reflecting continued efforts towards sustainable forest management and conservation initiatives.
- **Fisheries sector:** Expanding by 1.66%, maintaining positive growth and contributing to food security and export earnings
- **Crop sub-sector:** The crop sub-sector showed signs of recovery, growing by 1.44%, reversing the contraction recorded last year. Wheat production increased by 4.3% to 29.6 million tonnes, rice production grew by 2.8% to approximately

10 million tonnes, while sugarcane production reached a record 89.5 million tonnes, reflecting growth of 6.2%. However, cotton and maize production declined by 0.5% and 2.68%, respectively.

- **Agricultural Input:** Fertilizer offtake increased by 11.4% during July–March FY2026, indicating improved farming activity. Agricultural credit disbursement is expected to reach Rs 3.06 trillion, representing an increase of approximately 19% over the previous year.

Key challenges facing the sector include:

- ❑ **Climate-related issues:** Erratic weather patterns, rising temperatures, floods, and water scarcity continue to pose significant risks to agricultural productivity.
- ❑ **Low Productivity Levels:** Limited adoption of modern farming techniques, mechanization, and quality seed varieties continue to constrain crop yields.
- ❑ **Structural challenges:** Inefficient irrigation systems, high input costs, fragmented landholdings, and limited access to agricultural finance remain key challenges.

Industrial Sector

Pakistan's industrial sector FY2025–26, recording a growth rate of 3.51%, with 16 out of 22 industrial sub-sectors recording positive growth. The sector's performance was supported by recovery in large-scale manufacturing, construction activities, and mining and quarrying, reflecting improving macroeconomic stability and increased economic activity.

Key Highlights

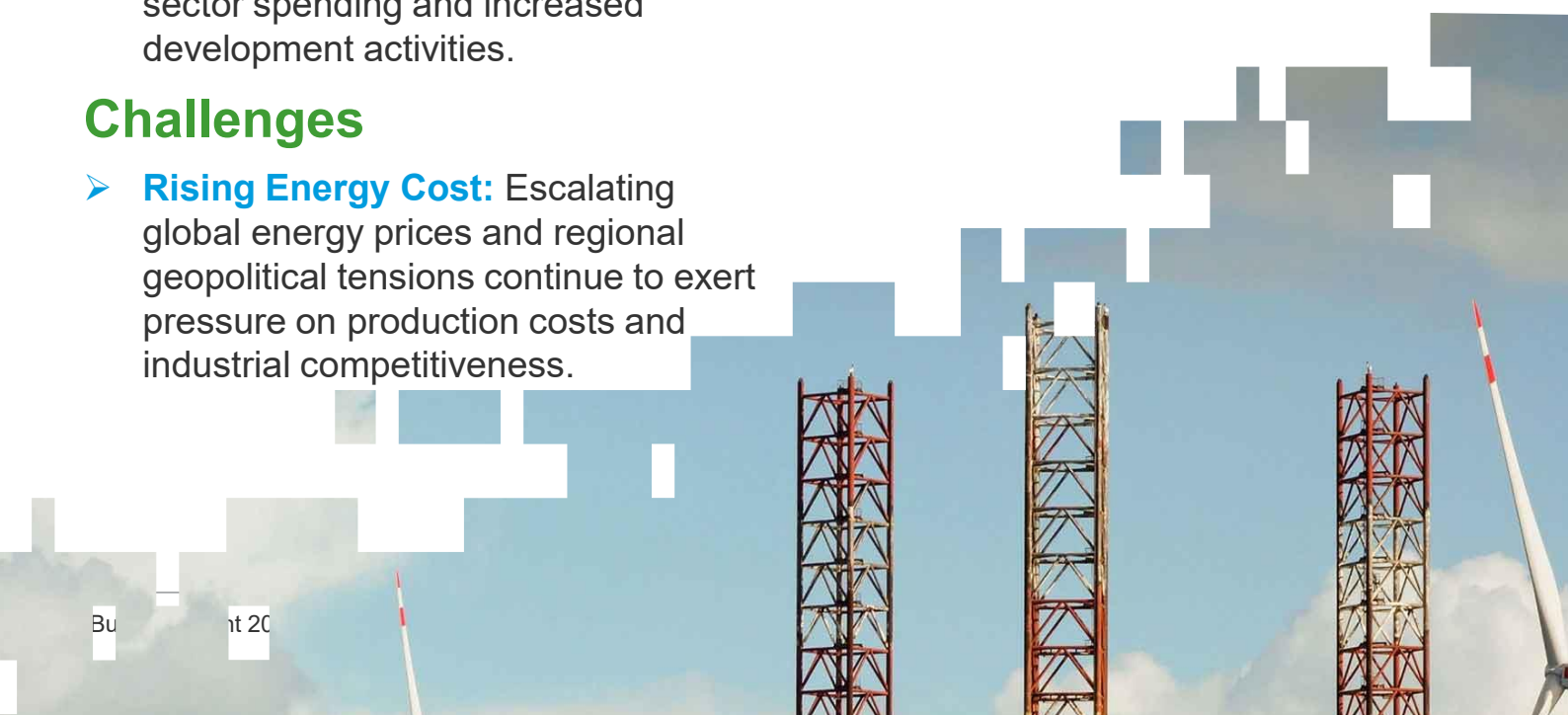
- **Mining and Quarrying:** Recording a growth rate of 0.4%, recovering from the contraction witnessed in the previous year and signaling a gradual recovery.
- **LSM Performance:** Expanding by 6.11% during 8MFY26, led by strong growth in the automobile and textile sectors, indicating a gradual revival in industrial production.
- **Construction:** Growing by 5.7%, supported by both public and private sector spending and increased development activities.

Challenges

- **Rising Energy Cost:** Escalating global energy prices and regional geopolitical tensions continue to exert pressure on production costs and industrial competitiveness.

- **External demand pressures:** Weak global demand and competitiveness challenges continue to affect export-oriented industries, particularly the manufacturing sector.
- **Investment constraints:** Despite improvement in the investment-to-GDP ratio to 14.4%, investment levels remain below those required to support sustained high-growth industrial expansion.

To address these challenges, the government continues to focus on improving the business environment, enhancing infrastructure development, supporting industrial modernization, and encouraging investment in productive sectors. Increased development expenditure and ongoing economic reforms are expected to support industrial activity and strengthen the sector's contribution to economic growth in the coming years



Services Sector

The services sector remained the largest and most important contributor to Pakistan's economy in FY2025–26, continuing to act as the main engine of overall GDP growth. During the year, the sector maintained steady and broad-based expansion, supported by recovery in trade activity, improved logistics flows, rising digital adoption, and stable financial sector performance.

Overall, the services sector recorded a growth of around 4.09% in FY2025–26, contributing 58.42% of the country's GDP and reinforcing its position as the backbone of economic activity in Pakistan.

Key Growth Drivers

➤ Information and Communication (ICT):

The ICT sector remained one of the fastest-growing segments, expanding by around 7.5% during FY2025–26. Growth was driven by:

- Expansion of IT exports and freelancing services
- Increased digitalization across businesses
- Rising internet and mobile penetration

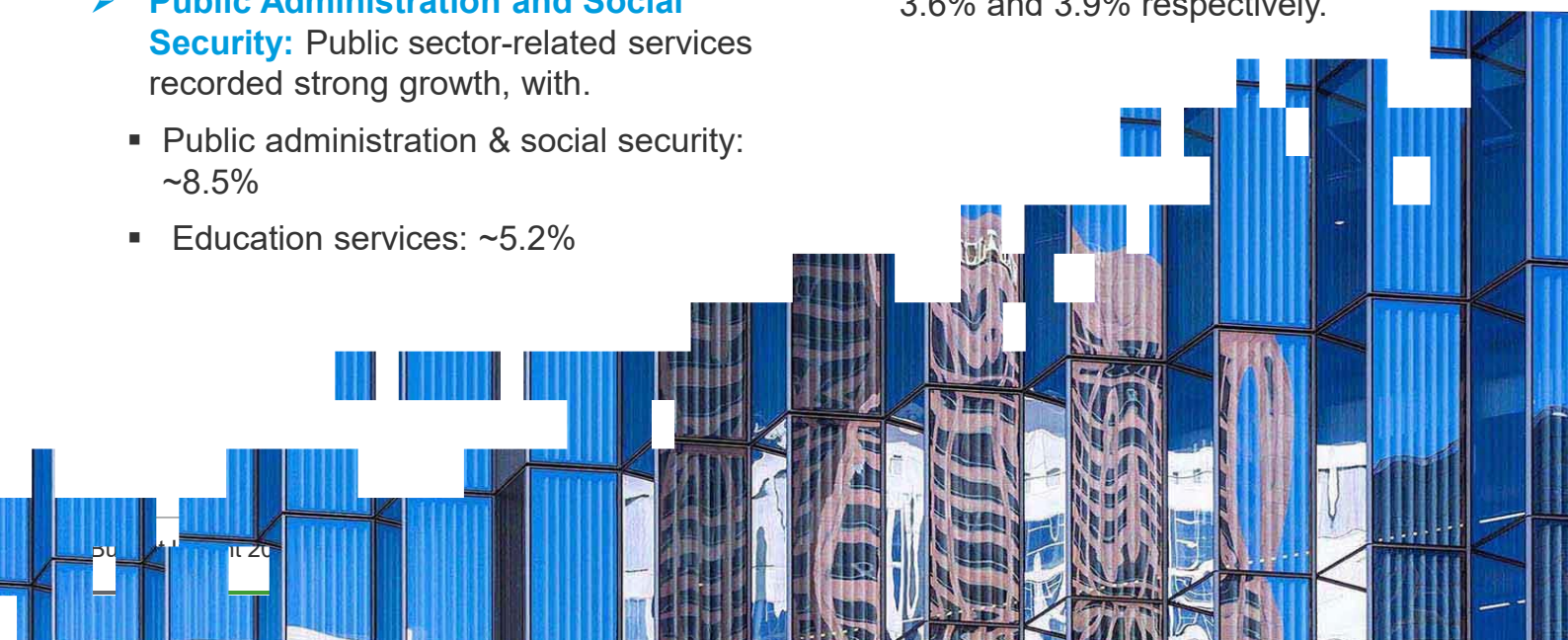
➤ Public Administration and Social Security:

Public sector-related services recorded strong growth, with.

- Public administration & social security: ~8.5%
- Education services: ~5.2%

- Health & social work: ~6.8%

- **Wholesale & Retail Trade:** Wholesale and retail trade, the largest sub-sector within services, posted *moderate growth of around 3.7%* during FY2025–26. The performance was driven by improved supply chain conditions, gradual easing of inflationary pressures, and revival in consumer demand.
- **Transport, Storage & Communication:** The transport and logistics segment grew by approximately 2.3%, supported by increased freight movement, trade-related activity, and gradual improvement in domestic and external transportation flows.
- **Finance & Insurance:** The finance and insurance sector continued its *stable but moderate growth by approximately 0.32%*, supported by improved banking sector stability, stronger liquidity conditions, and growing adoption of digital banking and financial services.
- **Real Estate and Hotels & Restaurants:** Despite Regulatory uncertainties and high construction input costs kept real estate activity below potential despite construction sector growth, real estate and hotels & restaurants have a growth of 3.6% and 3.9% respectively.



Onward With Stability — Pakistan’s Economic Outlook 2027

Subject to prevailing economic and geopolitical conditions, Pakistan is expected to enter FY2027 with a stabilising macroeconomic environment, supported by improved fiscal discipline, a relatively moderate external position, and continued engagement under the IMF Extended Fund Facility. GDP growth of **3.7% in FY26** is the highest in last four years, and the FY27 budget targets **4% growth** aimed at consolidation, documentation, and investment related opportunities.

The target to achieve the 4% growth merely depends on in **policy continuity, investment revival, and resilience**, particularly in agriculture, industry, and the digital economy.

Following measure and priorities need to be considered at minimum, to sustain stability and growth

- Maintain Fiscal Discipline
- Deepen Structural Reforms
- Modernise agriculture mechanism
- Investment from Private Sector
- Strengthen External connections

Conclusion — A Year to Consolidate Gains

FY2027 could mark a period of consolidation and forward momentum for Pakistan. If ongoing reforms continue to gain traction and external stability improves further, the country may have an opportunity to transition from short-term stabilisation towards more sustainable and inclusive growth. However, achieving this outcome will require continued fiscal discipline, policy consistency, and effective implementation of structural reforms and the direction is to be set as: **onward with stability**.

Federal Budget: 2026-27

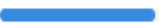

















Analysis & Insights



BUDGET AT GLANCE

2026 – 2027

Rs in Billion

GROSS RECEIPTS			
Tax revenue (FBR)		15,264	74%
Non-tax revenue		5,336	26%
Gross revenue receipts		20,600	—
Less: provincial share		-8,848	
NET FEDERAL RECEIPTS			
I. Net revenue receipts		11,751	63%
II. Non-bank borrowings (NSS)		2,034	11%
III. Net external receipts		813	4%
IV. Bank borrowings (T-Bills, PIBs, Sukuk)		4,012	21%
V. Privatisation proceeds		161	1%
A. CURRENT EXPENDITURE — 17,495 B			
Interest payments		8,054	43%
Defence affairs & services		3,000	16%
Grants and transfers		2,680	14%
Subsidies		1,091	6%
Running of civil govt.		1,071	6%
Pension		1,169	6%
Provision for emergencies & others		430	2%
B. DEVELOPMENT & NET LENDING — 1,276 B			
Federal PSDP		1,000	78%
Net lending		276	22%

Penalties & Offences

- Revision of penalties for customs violations.
- Stricter consequences for misdeclaration and concealment of goods.
- Enhanced penalties for customs fraud and non-compliance.
- Stronger deterrence framework for customs offences.

Recovery of Government Dues

- Strengthened mechanisms for recovery of customs duties, taxes, penalties, and other government dues.
- Improved powers for enforcement of adjudication orders.
- Measures aimed at reducing delays in recovery proceedings.

Adjudication & Dispute Resolution

- Rationalization of customs adjudication procedures.
- Measures intended to improve efficiency of customs dispute resolution.
- Faster processing and disposal of customs cases.
- Reduction in procedural bottlenecks and case backlogs.

Trade Facilitation

- Streamlining of procedures for compliant importers and exporters.
- Promotion of paperless customs processes.
- Faster clearance mechanisms through automated systems.
- Improved predictability and transparency in customs administration.

Impact on Businesses

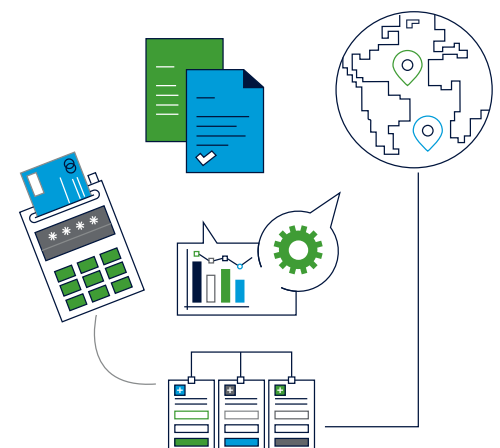
- Increased compliance requirements for importers and exporters.
- Greater emphasis on documentation and electronic recordkeeping.
- Enhanced monitoring of imported goods

throughout the supply chain.

- Need for stronger internal customs compliance and governance frameworks.
- Potentially faster clearances for compliant businesses under risk-based systems.

Other Laws - The Petroleum Products Petroleum Levy And Climate Support Levy Ordinance, 1961

- Mandatory submission of the monthly statement by every company, refinery or licensee under this Ordinance showing levy payment along with evidence of the payment to the Petroleum Division.
- The statement should be audited by the Firm registered with AOB before submission.



Sector *Digital Commerce*

Taxation of Digital Economy, IT, Freelancers and Content Creators

Overview:

Pakistan's digital economy continues to expand rapidly, supported by growing ICT exports, increasing e-commerce penetration, digital payments adoption, and the emergence of a vibrant freelancer and creator economy.

Against this backdrop, the Finance Bill 2026 introduces a series of tax and compliance measures aimed at documenting digital transactions, expanding the tax base, and integrating technology into tax administration.

The proposed amendments reflect a clear policy direction: while export-oriented digital services continue to receive fiscal support through concessional taxation, domestic digital commerce and content monetization activities are being brought within a more robust tax and reporting framework.

Key Budget Measures Related to Taxation of Digital Economy and Transformation at a Glance:

Area	Budget Proposal
IT & ITeS Exports	Extension of 0.25% tax rate until Tax Year 2029
Social Media Earnings	Introduction of withholding tax on content creator revenues
Digital Compliance	Machine-readable reporting and electronic integration
Tax Administration	Faceless audits, algorithmic settlements and AI-based compliance systems

Sector *Digital Commerce*

Income Tax Measures:

Extension of Concessionary Tax Rate for IT & ITeS Exports:

Proposed Change:

Previously, the concessionary rate for IT and IT Enabled Services (IT & ITeS) under section 154A was available till tax year 2026. Now, this reduced tax rate of 0.25% applicable to exporters of Information Technology and IT-enabled Services has been proposed to be extended up to Tax Year 2029.

Expected Impact:

The continuation of the preferential regime reinforces the Government's commitment to strengthening Pakistan's technology exports and preserving the international competitiveness of the IT sector. The measure is particularly significant given the increasing contribution of freelancers and technology entrepreneurs to Pakistan's foreign exchange earnings.

Introduction of Withholding Tax on Social Media Earnings:

Proposed Insertion:

A new section 154B has been proposed to be inserted to introduce dedicated withholding tax regime for revenues earned by digital content creators and social media influencers through platforms such as:

- YouTube
- Facebook
- Instagram
- TikTok etc.

Banking companies and financial institutions will be responsible for deducting tax on such receipts.

Applicable Rates:

Rate	Chargeability	Person
5%	Normal or 5% deducted whichever is higher (minimum tax regime)	Resident persons whose name appearing in the Active Taxpayers' List
5%	5% is Final Tax	Non-resident person without having PE in Pakistan

Sector Digital Commerce

Expected Impact:

This proposal insertion represents a significant shift in Pakistan's taxation of the Youtubers and Content Creators.

Historically, taxation of digital content creators largely relied on voluntary disclosures. The proposed mechanism enables FBR to obtain transaction visibility directly through the banking system, thereby improving documentation and reducing under-reporting.

Content creators should review their tax registration status, documentation procedures and record-keeping systems to ensure proper adjustment of taxes deducted at source.

Enhanced Digital Compliance and Reporting Framework:

Proposed Measures:

The Finance Bill introduces several technology-focused reforms including:

Machine-readable electronic financial statements: Section 114(2A) is proposed to be changed to make it mandatory for the companies to submit the financial statements in electronically readable formats as defined in section 2(19D) such as CSV or XLSX, XML, XBRL, JSON, and other structured or semi-structured data formats.

Credit for Electronic integration of business systems with FBR: A new Section 64D is proposed to be inserted to provide a tax credit equal to 10% of expenditure incurred on hardware,

software and other electronic resources installed exclusively for integration with FBR's computerized systems for real-time monitoring, invoicing and reporting. This tax credit shall be available only against normal tax payable under *Division I or Division II of Part I of the First Schedule*.

Faceless Audit and Assessment: A new section 122E is proposed to be inserted to introduce faceless audit and assessment framework for persons to be specified whereby audits under sections 177 and 214C, assessments, proceedings under section 111 and rectification proceedings may be conducted electronically without physical interaction between taxpayers and tax officers. Hearings and statements, where required, shall be conducted through E-hearings, while the identity of the officer conducting the proceedings will remain confidential.

Faceless Appeals: A new Section 129A is proposed to be inserted to introduce a faceless appeals mechanism, enabling appeals filed before the Commissioner (Appeals) under section 127 to be processed through the National Faceless Centre in a manner prescribed by the Board. The existing provisions governing appeals under sections 127, 128 and 129 shall continue to apply.

Sector *Digital Commerce*

The above two insertions i.e. introduction of faceless audits and assessments represents a significant step towards modernization of Pakistan's tax administration and aligns with international best practices. While the measure is expected to improve transparency and reduce discretionary intervention, its effectiveness will depend on procedural safeguards, taxpayer rights and the practical implementation of the E-hearing framework.

Algorithmic settlement mechanisms:

A new Section 134B is proposed to introduce an Algorithmic Settlement Mechanism, enabling FBR to generate automated settlement offers for taxpayers to voluntarily revise their returns and resolve identified discrepancies before the issuance of assessment or amended assessment orders. The settlement amount will be determined through a digital system based on factors such as compliance history, nature of discrepancies, stage of proceedings and other risk parameters prescribed by FBR.

Establishment of National Faceless Centre:

A new Section 227D is proposed to be inserted to enable establishment of a National Faceless Centre for conducting tax proceedings electronically. The Centre will comprise designated Inland Revenue officers and support staff, with cases assigned

through algorithm-based systems. All communications with taxpayers, authorized representatives and internal units will be conducted through electronic means, while audit, assessment and quality control functions for a case will be performed by separate officers.

Introduction of New Penalties for Digital Integration and Data Sharing Non-Compliance:

The Finance Bill, 2026 proposes the insertion of new penalty provisions in section 182 of the Income Tax Ordinance, 2001 to strengthen enforcement of FBR's digitalization and data integration initiatives.

Failure to Install and Operate Electronic Monitoring Systems:

A new penalty (section 182 serial no. 2A) is proposed for persons who, after being required by FBR under section 174(5), fail to install prescribed electronic resources for storing and providing access to transaction-related information, or fail to properly use, maintain or operate such systems. The penalty will also apply where a taxpayer tampers with, disables or circumvents the prescribed electronic resource.

The proposed penalty is Rs. 1 million for the first default and Rs. 2 million for each subsequent default.

Sector *Digital Commerce*

Failure of Integrated Organizations to Share Data: A separate penalty (section 182 serial no. 2B) is proposed for integrated organizations notified under section 175A. The penalty may be imposed where an organization fails to integrate its IT systems with FBR, does not share required data, provides incomplete or inaccurate information, fails to designate a focal person, or does not rectify identified deficiencies within the prescribed timeframe.

In such cases, a penalty of Rs. 500,000 for the first default and Rs. 1 million for each subsequent default is proposed to be imposed on the principal officer of the organization.

Expected Impact: These proposed penalties represent a significant escalation in FBR's enforcement powers and demonstrate the Government's intention to move from voluntary digital compliance towards mandatory technology integration and data sharing. The provisions are closely linked with the broader framework of electronic invoicing, real-time reporting, faceless administration and automated compliance monitoring introduced through the Finance Bill, 2026.

The proposed penalties are substantial and, notably, may be imposed on principal officers of integrated organizations in their representative capacity. Accordingly, taxpayers,

government entities, regulators, financial institutions and other organizations falling within the scope of section 175A should proactively assess their system readiness, data governance frameworks and integration capabilities to mitigate potential exposure to significant financial penalties.

Digitalization of Sales Tax Administration:

The Finance Bill, 2026 proposes a series of measures aimed at transforming Pakistan's sales tax administration through the adoption of technology-driven compliance and enforcement mechanisms as is done in case of income tax.

Faceless Audit and Assessment:

A new section 11H is proposed to be inserted to introduce a faceless audit and assessment framework for specified persons and classes of cases. Under the proposed regime, audits, assessments and related proceedings may be conducted electronically without physical interaction between taxpayers and tax authorities. Hearings, where required, will be conducted through electronic means, while case processing will be undertaken through a centralized digital platform.

Sector *Digital Commerce*

Faceless Appeals:

A new section 45C is proposed to be inserted to introduce a faceless appeals mechanism whereby appeals may be processed through the National Faceless Centre in accordance with procedures prescribed by the Board. The proposal seeks to digitize the appellate process and reduce direct interaction between taxpayers and tax officials.

The introduction of faceless audits, assessments and appeals represents a significant step towards modernization of Pakistan's indirect tax administration and is broadly aligned with international best practices. While these measures are expected to enhance transparency, consistency and administrative efficiency, their effectiveness will depend upon the availability of adequate procedural safeguards, protection of taxpayer rights and the practical implementation of electronic hearing mechanisms.

Establishment of National Faceless Centre:

A new section 32C is proposed to be inserted to provide for the establishment of a National Faceless Centre to administer faceless proceedings under the Sales Tax Act. The Centre will comprise designated Inland Revenue officers and supporting units, with cases allocated through automated and algorithm-based systems. All communications with taxpayers, authorized representatives and internal units will be conducted electronically, while audit, assessment and quality control functions will be performed independently by separate officers.

The National Faceless Centre forms the institutional foundation of FBR's digital transformation strategy. The segregation of functions and automated allocation of cases are expected to strengthen governance, reduce discretionary intervention and promote greater objectivity in tax administration. Nevertheless, the effectiveness of the regime will depend upon the robustness of technological infrastructure, cybersecurity safeguards and the operational readiness of the tax administration.

Algorithmic Settlement Mechanism:

A new section 47AA is proposed to be inserted to introduce an Algorithmic Settlement Mechanism enabling FBR to generate automated settlement offers for taxpayers to voluntarily resolve identified discrepancies before any order under sections 11D or 11E of the Sales Tax Act, 1990 is passed. The settlement amount will be determined through a technology-based system taking into account factors such as compliance history, nature of discrepancies, stage of proceedings and other risk parameters prescribed by the Board.

The proposed mechanism is intended to facilitate voluntary compliance, reduce litigation and expedite revenue collection through data-driven dispute resolution. However, its success will depend on the transparency of the underlying algorithms, fairness of settlement outcomes and the availability of adequate safeguards to ensure equitable treatment of taxpayers.

Sector *Digital Commerce*

Enhanced Penalties for Digital Integration and Electronic Compliance:

The Finance Bill, 2026 proposes significant enhancements to the penalty regime under the Sales Tax Act, 1990 to strengthen enforcement of FBR's digitalization initiatives, including electronic invoicing, system integration and automated compliance monitoring.

Failure to Integrate with FBR Systems:

The penalty for failure to integrate business systems with FBR for monitoring, tracking, reporting or recording of sales, production and other business transactions is proposed to be substantially enhanced. A defaulting person may be liable to a penalty of up to Rs. 1 million, while continued non-compliance after one month may attract an additional penalty of up to Rs. 5 million. Furthermore, the business premises may be sealed by the tax authorities.

Penalty on Unmatched Input Tax Claims Identified by FBR's

Computerized System: To support automated invoice matching and electronic verification, a new penalty is proposed where FBR's computerized system identifies unmatched input tax claims that are subsequently confirmed after due process. In such cases, the

taxpayer shall be liable to a penalty equal to 20% of the unmatched input tax amount, in addition to reversal of the inadmissible credit and payment of default surcharge.

Expected Impact: The proposed amendments reflect FBR's increasing reliance on technology-driven compliance controls and automated verification systems. Businesses should ensure timely integration with FBR platforms, strengthen invoice controls and implement robust reconciliation procedures, as failures identified through electronic monitoring systems may now result in substantial penalties and business disruption.

Federal Excise Duty – Digitalization and Technology-Driven Administration:

The Finance Bill, 2026 introduces a number of measures aimed at modernizing the Federal Excise Duty (FED) regime through greater use of technology, automation and electronic compliance systems. These proposals are aligned with the Government's broader objective of establishing a data-driven and faceless tax administration framework.

Sector *Digital Commerce*

National Faceless Centre and Application of the Provisions of the Sales Tax Act, 1990:

A new section 7A is proposed to be inserted in the Federal Excise Act, 2005 to enable audits and assessments to be conducted through the National Faceless Centre. The provision also introduces an Algorithmic Settlement Mechanism for electronic resolution of disputes and applies the corresponding faceless administration and settlement provisions of the Sales Tax Act, 1990 to Federal Excise matters.

The proposal extends FBR's digital tax administration framework to the Federal Excise regime by facilitating faceless audits, assessments and technology-driven dispute resolution. This is expected to reduce physical interaction with tax authorities, improve administrative efficiency and accelerate resolution of excise proceedings.

Monitoring or tracking by electronic or other means:

A new section 45A is proposed to empower FBR to implement electronic monitoring and tracking of production, sales, clearances, inventories and other business activities of specified registered persons through tax stamps, banderols, stickers, labels, barcodes, production monitoring systems, video analytics and other prescribed technologies. The

provision further prohibits the removal or sale of specified excisable goods without the prescribed digital authentication and tracking mechanisms.

The proposal significantly strengthens FBR's ability to monitor excisable goods through real-time digital tracking and production monitoring systems. By introducing digital traceability across the supply chain, FBR aims to curb tax evasion, counterfeiting and undocumented production; however, affected businesses may incur additional compliance and implementation costs associated with system integration and monitoring requirements.

Manufacturers of specified goods will be required to integrate with prescribed monitoring mechanisms and procure approved tracking devices or stamps from licensed suppliers, increasing compliance and documentation requirements.

Sector **Textile**

The budget includes few measures relevant to the textile sector, including proposals relating to export proceeds, machinery imports and compliance requirements for toll manufacturers.

Withholding tax measure relating to toll manufacturers

A new entry at serial No. 14 of 11th Schedule to the Sales Tax Act 1990 has been added whereby withholding tax has been proposed for toll manufacturers. Under the proposal, withholding tax would apply at four times the tax charged on conversion charges by toll manufacturers.

For reader understanding: *(Toll manufacturing (or toll processing) is an outsourcing arrangement where a company (the Principal) provides its own raw materials or semi-finished goods to a third-party facility (the Toll Manufacturer). The third party charges a processing fee (a "toll") to convert the materials into finished products based on the Principal's specifications.)*

Reduction in withholding tax on export proceeds

The withholding tax rate under section 154 of the Income Tax Ordinance 2001 on export proceeds is proposed to be reduced from 2% to 1.25%. This change may improve cash flow for exporters.

0% import duty on machinery and equipment not manufactured locally

The budget proposes a 0% import duty on machinery and equipment not manufactured locally. This measure may support investment in capacity expansion and modernisation in the textile sector.

Individual Taxation

The individual taxation measures in the budget focus on salaried taxpayers, real estate transactions and selected foreign payment taxes. Overall, the proposals intended to provide targeted relief in specific areas while maintaining the broader fiscal framework.

Removal of section 7E

The proposed removal of section 7E would eliminate the deemed income concept for immovable property. This change is likely to reduce compliance complexity and would support confidence for investment in the real estate sector by the high-net-worth individuals.

Reduction in advance tax rates on immovable property transactions

Advance tax rates on sale/purchase transactions of immovable property have been reduced as follows:

Section	Existing	Proposed
236 C	4.5% - 5.5%	2.75%
236 K	1.5% - 2.5%	1.5%

The simplification of these rates will reduce transaction costs and will attract more investment in the real estate sector.

Increase in turnover threshold for prescribed traders

The turnover threshold for exemption from withholding tax as a prescribed person for traders has been increased from Rs. 100 million to Rs. 200 million.

This change may reduce the compliance burden for smaller traders while retaining the withholding regime for larger businesses.

Reduction in advance tax on foreign payments

Advance tax on foreign payments made through debit, credit and prepaid cards has been reduced from 5% to 0.5%. The reduction may ease the cost of documented cross-border payments.

Abolition of Capital Value Tax on foreign assets

Previously the CVT was applicable on the Pakistani residents holding foreign assets worth more than Rs. 100 Million on the last day of the tax year @ 1% of the cost/value of the foreign assets. It has been the subject of significant debate and controversy as it tantamount to double taxation. The proposed abolition of Capital Value Tax on foreign assets owned by resident Pakistanis would remove this levy from the current tax framework. The change may provide relief in relation to ownership of foreign assets.

Individual *Taxation*

Clarification regarding inherited property and family settlements

The proposed clarification on inherited property and family settlements addresses the tax treatment of succession-related transfers. It provides that the cost of inherited immovable property will be based on fair market value at the date of death and recognises family settlements arising from succession.

Where an individual acquires immovable property through inheritance, the cost of the property in that individual's hands shall be the fair market value determined under section 68(5) of the Ordinance on the date of death of the original owner.

For removal of doubt, the transfer of an immovable asset to a beneficiary on the death of a person shall also include the transmission of assets through family settlement among family members consequent upon such death.

Introduction of section 154B for digital creators and social media influencers

A new withholding tax regime is proposed through section 154B for revenues received by digital content creators and social media influencers from platforms such as YouTube, Facebook, Instagram and TikTok. Banking and financial institutions would deduct tax on such receipts. For active non-residents not having PE in Pakistan, the tax would be 5% on a final basis, while for residents it would apply as minimum tax.

Abolition of surcharge under section 4AB for salaried individuals

The proposed abolition of the surcharge under section 4AB @ 9% of the Tax imposed would remove this additional charge from the existing rate structure for the salaried taxpayers. The surcharge of 10% on non salaried individuals and AOP having income more than Rs. 10 Million will continue to be applicable.

NEW PROPOSED CLAUSES INTRODUCED

2(1AA) Algorithmic Settlement

Mechanism: The Finance Bill proposes amendments in section 2, whereby a new clause (1AA) is inserted after clause (1A) to define “algorithmic settlement mechanism”. It provides that the said mechanism shall mean the algorithmic settlement mechanism established under section 134B of the Ordinance.

2(6A) Authorised Shipping Agent: The Finance Bill proposes amendments in section 2, whereby a new clause (6A) is inserted to define “authorised shipping agent”. It provides that an authorised shipping agent means a person in Pakistan who is authorised, expressly or impliedly, by a non-resident ship owner, charterer or operator to act on its behalf in respect of a vessel, and who is responsible for receipt, collection, control or accounting of freight and related amounts, as well as documentation, manifest filing and reporting of cargo or total freight, including control or custody of freight receipts attributable to such vessel or voyage. It further provides that such person shall also be responsible for filing of return under section 143 in respect of the vessel or voyage.

It further provides that for the purposes of the Ordinance, the authorised shipping agent shall be treated as the representative of the non-resident under section 172, and shall be jointly and severally liable for payment of tax and all related obligations, proceedings, assessments and recovery in respect of such vessel or voyage. It also provides that the provisions of sub-section (3) of section 172 shall apply accordingly.

2(19DA) Electronically Readable

Format: A new clause is proposed to define “electronically readable format” as any digital format in which data is structured so that it can be automatically read, extracted, validated and processed by computer systems without human intervention, including spreadsheet formats such as CSV or XLSX, XML, XBRL and JSON, but excluding formats primarily designed for human readability such as PDF, scanned images or photographs.

2(30D) Licensed Integrator: A new clause is proposed to provide that “licensed integrator” shall have the same meaning as defined under clause (15A) of section 2 of the Sales Tax Act, 1990, thereby aligning the integration framework across the two statutes.

2(35)(1A) National Faceless Center: A new clause is proposed to define “National faceless center” by reference to the National faceless center as defined in section 227D of the Ordinance.

2(42AA) PRAL: A new clause is proposed to define “PRAL” as Pakistan Revenue Automation (Pvt) Limited, a State-Owned Enterprise which has been assigned functions relating to software development and maintenance of the Board’s IT infrastructure.

NEWLY PROPOSED FACELESS TAX ADMINISTRATION FRAMEWORK

122E. Faceless audit and

assessment: A new section 122E is proposed to be inserted to introduce a faceless audit and assessment regime. It provides that, notwithstanding anything to the contrary contained in the Ordinance, any audit under sections 177 or 214C, any order under section 111, any assessment under this Part and any rectification under section 221, in respect of such persons, classes of persons, incomes or cases as may be specified by the Board, may be conducted in a faceless manner as may be prescribed.

It further provides that the provisions of section 177 shall apply to faceless audits, and that where an opportunity of being heard is to be provided or a statement under oath under section 176 is required, the same shall be conducted through e-hearing under section 227E. The identity of the officer conducting such e-hearing, including facial and voice identity, shall be kept confidential.

129A. Faceless appeals: A new section 129A is proposed to be inserted to provide that, notwithstanding anything contained in the Ordinance, any appeal filed under section 127 may be processed through the National faceless center as may be prescribed by the Board, and the provisions of sections 127, 128 and 129 shall apply mutatis mutandis to such faceless appeals accordingly.

209B. Faceless jurisdiction of income-

tax authorities: The Finance Bill proposes the insertion of a new section 209B relating to faceless jurisdiction of income-tax authorities. It provides that, notwithstanding anything contained in the Ordinance, the Inland Revenue tax authorities appointed in the National Faceless Centre shall perform such functions and exercise such powers under the Ordinance as may be assigned to them in respect of specified persons or classes of persons and tax years, through algorithm-based allocation by the Board.

It further provides that such jurisdiction may be exclusive or concurrent, and in case of concurrent jurisdiction, the remaining powers shall continue to be exercised by the Commissioner having jurisdiction under section 209. It also empowers the Board to transfer cases or jurisdictions already assigned to the National Faceless Centre back to the jurisdictional Commissioner, on the recommendation of the Chief Commissioner or on its own motion.

It further provides that the Chief Commissioner of the National Faceless Centre may request the Board to direct the concerned Commissioner or any other Inland Revenue authority to conduct physical verification of business affairs, including assets, investments, expenditures and other relevant information, with the allocation of such verification also being capable of being made through an algorithm-based system.

It further provides that the identity of the authority exercising jurisdiction at the National Faceless Centre shall remain confidential from the taxpayer, their authorised representative and any other person. It further stipulates that no notice, order, demand or assessment issued by such authority shall be called into question or invalidated merely on the ground of lack of jurisdiction under section 209, absence of notified delegation under section 210, or on account of confidentiality of the authority's identity

227D. National faceless centre: The Finance Bill proposes substitution of section 227D relating to the National Faceless Centre. It provides that the Board may establish a National Faceless Centre for conducting proceedings under the Ordinance in a faceless manner and may specify its jurisdiction, powers and functions.

It further provides that the Centre shall comprise a Director General, Chief Commissioners, Commissioners and other Inland Revenue authorities, together with such support staff as may be considered necessary by the Board. It also empowers the Board to design algorithms for allocation of functions and jurisdiction among the officers working within the Centre and to organize the Centre into such wings and units as may be prescribed.

It further provides that audit, assessment and quality control functions in respect of a particular case and tax year shall be performed by separate officers. It also provides that all communications between the Centre, taxpayers, authorised representatives and other persons shall be conducted exclusively through electronic means.

NEWLY PROPOSED INSTITUTIONAL REFORMS IN ENFORCEMENT AND LITIGATION FRAMEWORK

133A. Independent Case Scrutiny

Committee: The Finance Bill proposes insertion of a new section 133A relating to an Independent Case Scrutiny Committee. It provides that a reference before the High Court under section 133, or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan, may only be filed by the Commissioner Inland Revenue after obtaining approval of an Independent Case Scrutiny Committee constituted by the Board.

It further provides that the Board may constitute one or more such committees and assign to them cases or classes of cases decided by the Appellate Tribunal Inland Revenue or the High Court. The proposed Committee shall comprise a retired judge of the Supreme Court, Federal Constitutional Court or a High Court as Chairman, an advocate having at least fifteen years' experience in tax and commercial litigation, and a senior serving or retired FBR officer of BS-20 or above.

It further provides that the powers, functions, procedure and remuneration of the Committee shall be prescribed by the Board and that its recommendations shall be binding upon the Commissioner Inland Revenue having jurisdiction over the case.

It also provides legal protection to the members of the Committee and the concerned Commissioner Inland Revenue by restricting legal proceedings in respect of decisions made under this section. The Committee shall exercise its powers and functions from such date as may be notified by the Board upon its constitution.

134B. Algorithmic Settlement

Mechanism: The Finance Bill proposes insertion of a new section 134B relating to an algorithmic settlement mechanism. It provides that the Board may establish a digitally operated mechanism for settlement of tax proceedings at any stage prior to the issuance of an assessment or amended assessment order under sections 121, 122 or 122E, through revision of return under section 114(6) in specified cases.

It further provides that where the mechanism generates and presents a settlement offer to a taxpayer, the taxpayer may voluntarily accept such offer. The settlement amount shall be determined on the basis of prescribed criteria, including the stage of proceedings, the taxpayer's compliance history, the nature and character of the discrepancy, and any other relevant factors considered appropriate by the Board.

It further provides that a taxpayer opting to avail the mechanism shall, within ten days of the settlement offer, accept the offer through IRIS, deposit the specified amount and revise the relevant return of income to incorporate the settled amount.

It further provides that upon acceptance of the offer and revision of the return, the issues raised through a notice for audit selection, a notice under section 111, an audit report under section 177, or a notice under section 122, as the case may be, shall stand abated.

However, it also provides that settlement of a matter through this mechanism shall not preclude proceedings in respect of any other issue or discrepancy not covered by the settlement offer, nor shall it affect proceedings relating to any other tax year

228A. Directorate General (Field Compliance), Inland Revenue: The Finance Bill proposes insertion of a new section 228A relating to the Directorate General (Field Compliance), Inland Revenue. It provides for the establishment of a Directorate General comprising a Director General and such number of Directors, Additional Directors, Deputy Directors, Assistant Directors and other officers as may be appointed by the Board through notification in the official Gazette. It further provides that the Board may, through notification, specify the functions and jurisdiction of the Directorate General and its officers. The proposed section also empowers the Board to confer upon the Directorate General and its officers the powers vested in the income tax authorities specified under section 207 of the Ordinance.

AMENDMENTS PROPOSED IN THE EXISTING AND INSERTION OF NEW CLAUSES/SECTIONS:

2. Definitions – Other Amendments:

Consequential amendments are proposed in section 2 whereby, in clause (5), the expression “amended assessment and faceless assessment” is substituted to recognise faceless assessment; in clause (30A), reference to the approved fiscal electronic device and software is substituted with the Board’s computerized system through a licensed integrator; and clauses (22A) and (60) are omitted.

4AB. Removal of Surcharge on the Salaried Class:

The Finance Bill proposes amendments in section 4AB relating to super tax. It proposes a technical correction in the heading by replacing the expression “(4AB)” with “4AB”. It further proposes amendment in the proviso to provide that no surcharge shall be payable, thereby withdrawing the existing surcharge of nine percent of the income tax imposed under Division I of Part I of the First Schedule in cases where taxable income exceeds ten million rupees in a tax year.

6A. Tax on E-Commerce Transactions made Adjustable for High-Turnover Persons:

The Finance Bill proposes amendments in section 6A by inserting a new sub-section (3). It provides that, notwithstanding the provisions of section 8, the tax imposed under section 6A on a person whose turnover exceeds two hundred million rupees in a tax year shall be adjustable.

7E. Omission – Tax on Deemed Income from Immovable Property:

Section 7E, which imposed tax on deemed income arising from specified immovable property holdings, is proposed

to be omitted. With its deletion, the statutory mechanism for taxing deemed income under this provision is fully withdrawn from the income tax framework.

7G. Tax on Certain Payments by Life Insurance Business (New Section):

The Finance Bill proposes insertion of a new section 7G relating to tax on certain payments made by life insurance businesses. It provides that, from tax year 2026 onwards, tax shall be imposed on individuals receiving any payout, benefit, surrender value, maturity proceeds or similar payment under a life insurance policy, family takaful certificate, plan or similar arrangement, at the rate specified in Division IC of Part III of the First Schedule. It further provides that the amount subject to tax shall be determined by reducing the aggregate premiums or contributions paid by the policyholder or participant from the gross amount of the payout.

The proposed section, however, excludes payouts made on account of death or disability of the insured or participant, as well as payments received after completion of seven years from the date of issuance of the policy, certificate or plan.

It further provides that tax deducted under this section shall constitute final discharge of tax liability in respect of the income arising from such payout or benefit.

8. Consequential Amendment: Section 8 is proposed to be amended whereby, in the heading and in sub-section (1), the reference to section 7E is substituted with section 7G, consequent upon the omission of section 7E and the insertion of section 7G.

21(r). Disallowance of Expenditure on Non-Integration:

The Finance Bill proposes substitution of clause (r) of section 21 to strengthen enforcement of digital integration requirements. It provides that up to five percent of the expenditure claimed by a person may be disallowed where such person fails to install the prescribed electronic resource or does not operate as an integrated enterprise as required under the law, subject to such method, manner and procedure as may be prescribed.

53A. Rationalization of Withholding Taxes in the Nature of Minimum Tax (New Section):

The Finance Bill proposes insertion of a new section 53A relating to rationalization of rates of withholding taxes in the nature of minimum tax. It provides that the Federal Government may, on the basis of economic viability, reduce the rate of withholding taxes constituting minimum tax under the First Schedule, other than minimum tax chargeable under section 113, up to one percent in respect of specified persons or classes of persons, subject to such conditions, restrictions and limitations as may be prescribed.

It further provides that all amendments made to withholding tax rates under this section during a financial year shall be placed before the National Assembly.

64D. Tax Credit for Integration

(Substituted): The Finance Bill proposes substitution of section 64D relating to tax credit for integration. It provides that any person required under the Income Tax Ordinance, Sales Tax Act, 1990, or Federal Excise Act, 2005 to integrate with the Board's computerized system for real-time production monitoring or for recording and reporting of sales or receipts shall be entitled to a tax credit in respect of expenditure incurred exclusively on the purchase, acquisition, installation or implementation of specified equipment, hardware, software or other electronic components directly used for such integration.

It further provides that the Board may prescribe conditions, limitations and restrictions for availing the said tax credit. The proposed section allows a tax credit equal to ten percent of the amount invested in the electronic resource in the tax year in which such resource is installed, integrated and configured with the Board's system.

It further provides that such credit shall not be admissible against operation and maintenance expenses and shall be available only against normal tax payable under Division I or Division II of Part I of the First Schedule.

76(8A). Cost of Inherited Immovable

Property: The Finance Bill proposes insertion of a new sub-section (8A) in section 76 relating to cost of assets. It provides that where immovable property is acquired by an individual through inheritance, the cost of such property in the hands of the recipient shall be taken as the fair market value of the property determined under sub-section (5) of section 68 of the Ordinance as on the date of death of the original owner.

79. Transmission of Assets on Death –

Family Settlement: The Finance Bill proposes amendments in section 79, sub-section (1), clause (b), whereby an Explanation is inserted to clarify the scope of transmission of assets. It provides that, for removal of doubt, transmission of an asset in the nature of immovable property to a beneficiary upon the death of a person shall also include transfer of such assets arising from a family settlement among legal heirs or family members consequent upon the death of the said person.

80. Limited Liability Partnership included in the Definition of “Person”:

The Finance Bill proposes amendments in section 80, sub-section (2), clause (a), whereby the scope of the provision is expanded by including a limited liability partnership along with a person for the purposes of the said clause.

92. Taxability of Distributions from Tax-Exempt Limited Liability

Partnerships: The Finance Bill proposes amendments in section 92, whereby in sub-section (1) the existing Explanation is omitted. It further proposes

insertion of a new sub-section (4A) to provide that where the income of a limited liability partnership is exempt from tax, any amount received by a member of such partnership in his capacity as a member shall be treated as taxable income in the hands of such member.

99B. Special Procedure – Scope

Expanded: The Finance Bill proposes amendments in section 99B whereby the scope of the provision is expanded by substituting the existing expression relating to “and payment of tax, filing of return” with a broader reference covering rate and payment of tax, including fixed tax, filing of return, and audit.

100B. Computation of Capital Gain by NCCPL:

The Finance Bill proposes amendments in section 100B, whereby in sub-section (2), clause (b) is amended to omit the reference to a non-banking finance company and to make consequential changes in punctuation, while clauses (c) and (d) are omitted. It further proposes insertion of a new sub-section (3) to provide that NCCPL, in the case of banking companies, insurance companies and mutual funds, shall compute and determine capital gains in accordance with the mechanism prescribed under section 37A. However, such entities shall continue to deposit tax on capital gains in accordance with the applicable provisions of the Ordinance.

114. Electronic Filing and Machine-Readable Financial Statements:

The Finance Bill proposes amendments in section 114 relating to filing of income tax returns. It proposes substitution of sub-section (2A) to provide that returns of income shall be filed electronically through IRIS in such manner as may be prescribed by the Board, including rules relating to verification, digital signatures and other matters connected with electronic filing of returns, statements and documents. It further provides that, in the case of companies from tax year 2026 onwards, financial statements accompanying the return shall only be submitted in electronically readable file formats. It further proposes amendments in sub-section (6) by expanding its scope to include cases where a taxpayer avails a settlement offered under the algorithmic settlement mechanism.

It further proposes insertion of a new sub-section (6B) to provide that where a taxpayer avails such algorithmic settlement mechanism, the taxpayer may file a revised return without prior approval of the Commissioner, subject to payment of tax determined under the mechanism. It further provides that no separate penalty or default surcharge shall be payable, and the return so filed shall be treated as a revised return, accompanied by the prescribed documents under sub-section (6).

134A. Alternative Dispute Resolution:

The Finance Bill proposes amendments in section 134A relating to the Alternative Dispute Resolution Committee. It proposes insertion of a new sub-section (10A) empowering the Committee to rectify any mistake apparent from the record, either on its own motion or on an application made by the taxpayer or the Commissioner, within thirty days of receipt of the Committee's decision, notwithstanding the dissolution of the Committee.

It further proposes amendments in sub-section (11) to provide a mechanism for continuation of proceedings where any member of the Committee becomes unavailable or is unable to perform his functions. In such cases, the Chairman of the Board shall appoint a replacement member within fifteen days in accordance with the existing composition requirements, and the reconstituted Committee shall continue to function under the same terms and conditions applicable to the original Committee.

It further provides that, upon such reconstitution, the Committee shall be allowed an additional period of sixty days to conclude its proceedings. However, the total period available to the Committee, including the period already elapsed before reconstitution, shall not be less than ninety days from the date of its original constitution.

143. Returns by Authorised Shipping

Agents: The Finance Bill proposes amendments in section 143 relating to return of income in respect of shipping operations. It proposes inclusion of an authorised shipping agent, as defined in section 2(6A), within the scope of persons responsible for filing returns under the said section.

It further provides that only one return shall be furnished for each vessel or voyage, covering total freight and all related amounts attributable to the ship, and that such return shall be filed either by the master of the ship or the authorised shipping agent responsible for manifest filing and freight handling. It is also provided that no other person shall be permitted to file such return in respect of the same vessel or voyage.

It further provides that the master of the ship or authorised shipping agent shall be jointly and severally liable for the obligations under the said section, and that various consequential amendments are made throughout the section to consistently incorporate references to authorised shipping agents alongside the master, charterer and Commissioner, as applicable.

It further provides that filing of the return shall be subject to electronic confirmation of filing and payment of tax in the prescribed manner.

147(6C). Omission – Advance Tax on

Export Proceeds: Sub-section (6C) of section 147 is proposed to be omitted, removing the one percent adjustable advance tax previously collected on export proceeds and consolidating the withholding on the export of goods under section 154.

151B. Withholding on Certain Payments by Life Insurance Companies and Takaful Operators (New Section): The Finance Bill proposes insertion of a new section

151B relating to tax deduction on certain payments made by life insurance companies and takaful operators. It provides that every life insurance company, including family and window takaful operators, shall, at the time of making any payout, benefit, surrender value, maturity proceeds or similar payment under a life insurance policy, certificate or plan, deduct tax at the rate specified in Division IC of Part III of the First Schedule.

It further provides that the taxable amount shall be determined by reducing the aggregate premiums or contributions paid by the policyholder or participant from the gross amount of such payout or benefit.

It further provides that the withholding requirement shall not apply where the payout is made on account of death or disability of the insured or participant, or where the payment is made after completion of seven years from the date of issuance of the policy, certificate or plan.

It further provides that tax deducted under this section shall constitute final tax on the income arising from such payout or benefit..

152(1DA). Withholding on Capital Gains through Foreign-Currency and Non-Resident Accounts:

The Finance Bill proposes substitution of sub-section (1DA) in section 152 relating to withholding tax on certain banking transactions. It provides that every banking company maintaining Foreign Currency Value Accounts, Foreign Currency Business Value Accounts, Non-Resident Rupee Value Accounts, or Non-Resident Rupee Business Value Accounts shall be required to deduct tax from capital gains arising on the disposal of debt instruments and government securities and certificates, including Shariah-compliant variants, invested through such accounts. The tax shall be deducted at the rate specified in Division II of Part III of the First Schedule.

154B. Withholding Tax on Revenues Received from Social Media Platforms (New Section):

The Finance Bill proposes insertion of a new section 154B relating to withholding tax on revenues received from social media platforms. It provides that every banking and non-banking financial institution shall, at the time of credit or receipt of any amount in the account of a person, deduct tax at the rate specified in Division IIIAB of Part III of the First Schedule where such amount represents income generated from social media platforms.

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It further provides that the term “digital content creator” or “social media influencer” has been defined to include individuals or entities deriving income from creation, publication or monetisation of content on digital platforms, including YouTube, Facebook, Instagram, TikTok and other similar platforms.

It also clarifies that payment includes any inward remittance or credit received through banking channels, including through intermediaries and digital payment service providers.

It further provides that the tax deducted shall be treated as minimum tax in the case of resident persons, while in the case of non-resident persons not having a permanent establishment in Pakistan, it shall constitute final tax. It also empowers the Board to prescribe rules for implementation, including mechanisms for identification and reporting of such transactions.

159. Exemption Certificates for Funds and Non-Profit Organizations:

The Finance Bill proposes insertion of new sub-sections (1C) and (1D) in section 159 relating to exemption certificates. It provides that where a person has distributed ninety percent or more of its accounting income among unit or certificate holders or shareholders in accordance with clause (99) of Part I of the Second Schedule for the preceding three years, such person shall be eligible for issuance of an exemption certificate under sub-section (1), and the certificate shall be issued for the subsequent full tax year.

It further provides that where a person has been granted approval under sub-clause (c) of clause (36) of section 2 for a tax year, such person shall also be eligible for issuance of an exemption certificate under sub-section (1), and the certificate shall be issued for the said full tax year.

165AB. Reporting of Financial Transaction Data by Banks and Financial Institutions (New Section):

The Finance Bill proposes insertion of a new section 165AB relating to reporting of financial transaction data by banking companies and financial institutions. It provides that, notwithstanding anything contained in the Banking Companies Ordinance, 1962, the State Bank of Pakistan Act, 1956, the Protection of Economic Reforms Act, 1992, or any other law for the time being in force, every banking company and Electronic Money Institutions (EMIs) shall electronically upload specified financial information to the Central Data Hub for algorithmic cross-matching of tax and bank data.

It further provides that the information to be shared shall relate to account holders having aggregate deposits or withdrawals exceeding one hundred million rupees during a reporting period, and shall include particulars of deposits and withdrawals, opening and closing balances, peak credits and total credits. It also provides that such information shall be digitally processed and shall not be visible to Income Tax Authorities during the initial cross-

matching stage.

It further provides that in case of gross mismatch identified through the system, the information shall be routed to the Compliance Risk Management (CRM) system for further action, and proceedings shall be initiated through the National Faceless Centre.

It further provides that the Board shall ensure strict confidentiality of such data, and defines key terms including reporting period, specified date, accounts, peak credits, Central Data Hub and compliance risk management system for the purposes of the section.

169. Tax Collected or Deducted as Final Tax:

The Finance Bill proposes amendments in section 169, sub-section (1), clause (b), whereby the scope of withholding tax adjustments is expanded by including reference to clause (b) of sub-section (3) of section 154B, alongside the existing provisions.

174. Records The Finance Bill proposes substitution of sub-section (5) in section 174 to expand the Board’s powers relating to electronic integration. It provides that the Board may, through notification in the official Gazette, require any person or class of persons to install and use prescribed electronic resources or to operate as an integrated enterprise for the purposes of receiving, storing, matching and accessing information relating to transactions having a bearing on tax liability.

175AA. Exchange of Banking and Tax information Related to the high-risk

persons: The Finance Bill proposes amendments in section 175AA relating to access to banking and financial data. It expands the scope of data sharing by including reference to the State Bank of Pakistan and its Central Data Repository within the framework for exchange of financial information.

It further provides that the State Bank of Pakistan, microfinance banks and Electronic Money Institutions (EMIs) shall be included in the data reporting and sharing mechanism, with consequential changes in clause (b) to align the reporting structure and responsibilities.

It further proposes insertion of a new clause empowering the State Bank of Pakistan to establish, operate and maintain a secure centralized virtual repository of banking data containing information and financial transactions of persons maintained by scheduled banks on the basis of unique identifiers, as may be prescribed by the Board. It also provides that such repository shall be used for collection and dissemination of data and analytical outputs in accordance with the provisions of the section.

177. Expanded Audit Powers – Re-Audit, Re-Valuation and Actuarial

Determination: The Finance Bill proposes insertion of new sub-section (6B) in section 177 relating to audit proceedings. It provides that where, during the course of proceedings, the Commissioner considers it necessary having regard to the nature and complexity of accounts, volume of accounts, doubts regarding correctness of accounts, multiplicity of transactions, or specialised nature of business activity, and in the interest of revenue, he may, after providing reasonable opportunity of being heard and with prior approval of the Chief Commissioner, direct the taxpayer to undertake further verification measures.

It further provides that such measures may include re-audit of accounts by an accountant, revaluation of inventory by a cost accountant, and determination of actuarial values by an actuary, with detailed reports to be furnished duly signed and verified along with responses to specific queries raised by the Commissioner. It also clarifies that the professionals engaged for such purposes shall be nominated by the Commissioner from a panel of accountants, cost accountants, valuers and actuaries as notified by the Board.

182. Penalties: Section 182 is proposed to be amended to expand the definition of “tax payable”, enhance several existing penalties, and introduce new penalties relating to electronic integration, data sharing and excess withholding credit:

Penalties and Offences	TY 2025–2026	Proposed TY 2026–2027	Key Change
Where any person fails to furnish a return of income as required under section 114 within the due date.	0.1% of the tax payable for each day of default or Rs. 1,000 per day, whichever is higher. Minimum: Rs. 10,000 (salaried 75%+) or Rs. 50,000 (others). Maximum: 200% of tax payable. Reduction: 75%/50%/25% if filed within 1/2/3 months after due date.	Definition of "tax payable" expanded to include: (i) tax chargeable on taxable income based on assessment under sections 120, 121, 122, 122D, or 122E; or (ii) the highest tax payable in any of the three immediately preceding tax years for which returns were duly filed.	Definition of tax payable expanded.
(New 2A) Where any person fails to install, use, maintain or operate a prescribed electronic resource within the time specified, or tampers with, disables or circumvents such electronic resource.	—	Rs. 1 million for first default; Rs. 2 million for each subsequent default.	New penalty introduced.
(New 2B) Where any integrated organization fails to: (a) integrate its IT platform within specified time; (b) share required data; (c) provide complete, accurate and timely data; (d) designate a focal person; or (e) remedy a deficiency within 30 days of written notice.	—	Rs. 500,000 for first default; Rs. 1 million for each subsequent default on principal officer.	New penalty introduced.
Where a taxpayer without reasonable cause fails to produce records on receipt of: (a) first notice, (b) second notice, (c) third notice.	(a) Rs. 25,000 (b) Rs. 50,000 (c) Rs. 100,000	(a) Rs. 100,000 (b) Rs. 200,000 (c) Rs. 300,000	Penalty increased.
(10) Any person who makes a false or misleading statement, furnishes false information, or omits material information to an Income Tax Authority.	Rs. 25,000 or 50% of tax shortfall, whichever is higher.	Rs. 500,000 or 100% of tax shortfall, whichever is higher.	Penalty increased significantly.
(12) Where a person has concealed income or furnished inaccurate particulars of income in any proceeding under this Ordinance.	Rs. 100,000 or amount equal to the tax sought to be evaded, whichever is higher.	Rs. 1,000,000 or amount equal to the tax sought to be evaded, whichever is higher.	Penalty increased.
(15) Any person who fails to collect or deduct tax as required or fails to pay the tax collected or deducted under section 160.	Rs. 40,000 or 10% of the amount of tax, whichever is higher.	Rs. 500,000 or 10% of the amount of tax, whichever is higher. Where defaulter is a company, its Principal Officer shall be personally liable to pay an additional penalty of Rs. 500,000.	Penalty increased; personal liability added for company officers.

Income Tax Ordinance, 2001

Penalties and Offences	TY 2025–2026	Proposed TY 2026–2027	Key Change
(35) Any company or AOP that fails to fully state relevant particulars in the return, furnishes blank/incomplete annexures, or attaches blank/incomplete documents. Note: Audited financial statements in image files, scanned documents, or password-protected files shall be deemed as blank or incomplete.	Rs. 500,000 or 10% of tax chargeable on taxable income, whichever is higher.	Rs. 500,000 or 10% of tax chargeable on taxable income, whichever is higher.	Explanation added regarding image/scanned formats.
(New 36) Where a person claims a credit in respect of tax withheld at source in excess of the verifiably deducted and deposited amount as confirmed through the Board's computerized system.	—	Penalty equal to the amount of excess credit claimed.	New penalty inserted.

216. Disclosure of Information by Public Servant:

The Finance Bill proposes amendments in section 216, sub-section (3), relating to disclosure of information. It proposes substitution of clause (ba) to expand the scope of permissible disclosure by allowing access to auditors, audit mentors and sectoral experts engaged on contractual basis or through third-party arrangements, including payroll firms of the Federal Board of Revenue, subject to execution of non-disclosure agreements as may be prescribed. Such disclosure is intended to facilitate assistance to the authorities specified under section 207.

It further proposes an amendment in clause (ke) to broaden the scope of permissible information sharing by including international research institutions within the existing framework relating to international information exchange.

231B. Omission of Exemption Clause on Advance Tax on Motor Vehicles:

Section 231B is proposed to be amended whereby, in sub-section (6), clause (c) is omitted and a consequential drafting change is made, narrowing the exemptions available under the advance tax regime on motor vehicles.

236C. Advance Tax on Sale or Transfer of Immovable Property:

Division X of Part IV of the First Schedule is proposed to be substituted to provide that the rate of tax to be collected under section 236C shall be 2.75% of the gross amount of the consideration received, replacing the existing slab-based structure with a uniform rate. The rate applicable to late filers is omitted, while the rate for persons not appearing on the Active Taxpayers' List continues to apply as before:

Description	Active Filer	Late Filer	Non-Filer
Where the gross amount of consideration received does not exceed Rs. 50 million	2.75%	Omitted	11.5%
Where the gross amount of consideration received exceeds Rs. 50 million but does not exceed Rs. 100 million	2.75%	Omitted	11.5%
Where the gross amount of consideration received exceeds Rs. 100 million	2.75%	Omitted	11.5%

Income Tax Ordinance, 2001

236K. Advance Tax on Purchase of Immovable Property: Division XVIII of Part IV of the First Schedule is proposed to be substituted to provide that the rate of tax to be collected under section 236K shall be 1.25% of the fair market value of the immovable property, replacing the existing slab-based structure with a uniform rate. The rate applicable to late filers is omitted, while the rate for persons not appearing on the Active Taxpayers' List continues to apply as before:

Description	Active Filer	Late Filer	Non-Filer
Where the fair market value does not exceed Rs. 50 million	1.25%	Omitted	10.5%
Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million	1.25%	Omitted	14.5%
Where the fair market value exceeds Rs. 100 million	1.25%	Omitted	18.5%

236CA. Omission – Advance Tax on Foreign-Produced Content and

Advertisements: Section 236CA, together with the corresponding Division XA of Part IV of the First Schedule, is proposed to be omitted. The provision had imposed fixed advance taxes on the import or broadcast of foreign-produced television drama serials and plays and on advertisements featuring foreign actors. With its deletion, this advance tax mechanism is fully withdrawn from the tax framework.

236Y. Advance Tax on Foreign Remittances through Cards: Division XXVII of Part IV of the First Schedule is proposed to be amended whereby the rate of advance tax under section 236Y, applicable to amounts remitted abroad through credit, debit or prepaid cards, is reduced from five percent to 0.5%, substantially lowering the withholding burden on outward foreign payments made through banking channels.

237C. Uniform for Inland Revenue Officers (New Section): A new section 237C is proposed to be inserted to empower the Board, by notification in the official Gazette, to prescribe rules for the wearing of a uniform by the officers and staff of the Inland Revenue Service of Pakistan.

PART I DIVISION I Clause (2)

Rates of Tax for Salaried Individuals

The proposed amendments fundamentally alter the progression of taxation applicable to salaried individuals. Under the existing regime, taxpayers entering the Rs. 4.1 million income threshold were immediately subjected to a marginal tax rate of 35%, resulting in a steep increase in tax liability for middle and upper-middle-income professionals. The Finance Bill 2026 seeks to moderate this progression by introducing two additional intermediate tax bands of 29% and 32% before the maximum rate of 35% becomes applicable.

A significant policy change is the upward shift of the highest tax bracket from Rs. 4.1 million to Rs. 7 million. Consequently, salaried individuals earning between Rs. 4.1 million and Rs. 7 million annually will no longer be

taxed at the maximum marginal rate. This segment includes a substantial portion of corporate executives, senior managers, professionals, consultants, bankers, engineers, and technology sector employees.

From a fiscal policy perspective, the Government appears to be responding to concerns raised by salaried taxpayers who have borne a disproportionate share of direct tax collections in recent years. The revised slab structure makes the tax regime more progressive while reducing the abrupt escalation in marginal tax rates that existed under the previous framework.

Existing Law vs Finance Bill 2026

S. No.	Existing FY 2025-26	Proposed FY 2026-27	Change
1	Up to Rs. 600,000 – Nil	Up to Rs. 600,000 – Nil	No change
2	Rs. 600,001 – Rs. 1,200,000: 1% of amount exceeding Rs. 600,000	Rs. 600,001 – Rs. 1,200,000: 1% of amount exceeding Rs. 600,000	No change
3	Rs. 1,200,001 – Rs. 2,200,000: Rs. 6,000 + 11% of amount exceeding Rs. 1,200,000	Rs. 1,200,001 – Rs. 2,200,000: Rs. 6,000 + 11% of amount exceeding Rs. 1,200,000	No change
4	Rs. 2,200,001 – Rs. 3,200,000: Rs. 116,000 + 23% of amount exceeding Rs. 2,200,000	Rs. 2,200,001 – Rs. 3,200,000: Rs. 116,000 + 20% of amount exceeding Rs. 2,200,000	Reduced tax burden
5	Rs. 3,200,001 – Rs. 4,100,000: Rs. 346,000 + 30% of amount exceeding Rs. 3,200,000`	Rs. 3,200,001 – Rs. 4,100,000: Rs. 316,000 + 25% of amount exceeding Rs. 3,200,000	Reduced tax burden
6	Rs. 4,100,001 and above: Rs. 616,000+ 35% of amount exceeding Rs. 4,100,000	Rs. 4,100,001 – Rs. 5,600,000: Rs. 541,000 + 29% of amount exceeding Rs. 4,100,000	New intermediate slab introduced
7	Rs.616,000 + 35% applies above Rs. 4.1 million	Rs. 5,600,001 – Rs. 7,000,000: Rs. 976,000 + 32% of amount exceeding Rs. 5,600,000	New intermediate slab introduced
8	Rs.616,000 + 35% applies above Rs. 4.1 million	35% applies above Rs. 7 million: Rs. 1,424,000 + 35% of amount exceeding Rs. 7,000,000	Highest slab threshold increased by Rs. 2.9 million
9	In case income Exceeds Rs. 10 Million a surcharge of 9% of Tax imposed would be applicable.	Surcharge deleted for salaried individuals.	Significant reduction for the higher income slabs earning salary in excess of Rs.833,333.

Visual representation of marginal tax rates

Income Range	Existing Rate	Proposed Rate
0 – 0.6 Million	0%	0%
0.6 – 1.2 Million	1%	1%
1.2 – 2.2 Million	11%	11%
2.2 – 3.2 Million	23%	20%
3.2 – 4.1 Million	30%	25%
4.1 – 5.6 Million	35%	29%
5.6 – 7.0 Million	35%	32%
Above 7.0 Million	35%	35%
Above 10 Million		

Key Takeaway:

- The most meaningful relief is concentrated in the Rs. 4.1 million to Rs. 7 million annual salary band, where the marginal tax rate falls from 35% to either 29% or 32%. This reduces both the effective tax rate and monthly withholding tax deductions, making this one of the most significant salaried taxpayer relief measures introduced in recent Finance Bills. Further the removal of surcharge from the higher earning salaried individual also provided a significant relief

Tax impact on different salary income (1.5 Million to 15 Million p.a)

Impact on Annual Income

Annual Taxable Income (Rs.)	Existing Tax (Rs.)	Proposed Tax (Rs.)	Reduction (Rs.)	Reduction %
1,500,000	39,000	39,000	-	-
3,000,000	300,000	276,000	24,000	8%
5,000,000	931,000	802,000	129,000	13.86%
7,000,000	1,631,000	1,424,000	207,000	12.70%
10,000,000	2,681,000	2,474,000	207,000	7.72%
12,000,000	3,381,000 +304,290 (Surcharge@9%) =3,685,290	3,174,000	511,290	13.88%
15,000,000	4,436,000+399,240 =4,835,240	4,224,000	611,240	12.65%

Impact on Monthly Income

Annual Income (Rs.)	Existing Tax	Monthly	Proposed Tax	Monthly	Monthly Saving
1.5 Million	3,250		3,250		-
3 Million	25,000		23,000		2,000
5 Million	77,583		66,833		10,750
7 Million	135,917		118,667		17,250
10 Million	223,417		206,167		17,250
12 Million	307,107		264,500		42,607
15 Million	402,937		352,000		50,937

Key Observations:

- Maximum benefit in percentage terms is for middle-income salaried individuals around Rs. 5 million annual income, where tax reduces by almost 13.86%.
- For incomes above Rs. 7-10 million, the absolute relief remains approximately Rs. 207,000 per annum, because the top marginal rate remains 35%, but its threshold shifts from Rs. 4.1 million (existing) to Rs. 7 million (proposed).
- For incomes above 10 Million, In addition to absolute relief of Rs. 207,000 p.a there is addition relief from surcharge @9% of the tax imposed

The effective tax rate becomes:

Income	Existing ETR	Proposed ETR
1.5 Million	2.60%	2.60%
3 Million	10.0%	9.20%
5 Million	18.62%	16.00%
7 Million	23.30%	20.30%
10 Million	26.80%	24.70%
12 Million	30.71	26.45%
15 Million	32.24%	28.16%

DIVISION IIB

Super Tax on High Earning Persons

The bill seeks to substitute the existing table with the following table:

S. No.	Income under Section 4C and Person	Rate of Tax
1.	Income of a banking company exceeding Rs. 150 million.	10% of the income
2.	Income of a person, whose income is computed as per Part I of the Fifth Schedule, exceeding Rs. 150 million, so far as it does not exceed the limit specified in Rule 4 of that Part.	10% of the income
3.	Income of a person engaged in deriving income from the sale of any kind of fertilizer, exceeding Rs. 150 million.	10% of the income
4.	Income of a person, other than those mentioned at S. No. 1, 2 and 3, exceeding Rs. 500 million.	8% of the income

A significant relief measure has been introduced through the rationalization of Super Tax. Taxpayers with income up to Rs. 500 million will no longer be subject to Super Tax, whereas those with income exceeding Rs. 500 million will benefit from a reduced rate of 8%, down from 10%. These concessions, however, do not extend to the banking, ENP, and fertilizer sectors.

Division IVA – Rate of Tax on Payments for Digital Transactions in E-Commerce Platforms- Proposed Amendment

The Finance Bill 2026-27 proposes to amend Division IVA by substituting the word "delivered" with the word "ordered".

This amendment appears minor in drafting but has significant implications for the taxation of e-commerce transactions. Under the existing framework, ambiguity existed regarding whether withholding tax obligations arose only upon the actual delivery of goods and services. By replacing the term "delivered" with "ordered", the scope of the provision is broadened to capture transactions at the point an order is placed through an e-commerce platform, irrespective of the subsequent delivery status.

The amendment aligns the tax treatment of e-commerce transactions with modern digital business practices where payment, booking, and order confirmation often occur electronically before physical delivery. It also addresses potential loopholes that could arise where orders are placed but delivery is delayed, cancelled, or executed through alternative channels.

From a tax administration perspective, the change enhances certainty and improves the ability of tax authorities to monitor and document digital commerce transactions. E-commerce platforms, online marketplaces, digital retailers, and payment intermediaries may need to review their systems to ensure that tax collection and reporting obligations are triggered based on order placement rather than physical delivery.

Impact

- Expands the scope of taxable e-commerce transactions.
- Reduces ambiguity regarding timing of tax collection.
- Improves documentation of online commercial activity.
- Strengthens monitoring of digital transactions.
- May increase compliance obligations for e-commerce operators and marketplaces

Division VII – Capital Gain on Disposal of Securities - Proposed Amendment

The Finance Bill proposes insertion of the words: "**charge and**" after the word "**shall**" in the third proviso of Division VII.

The amendment is primarily clarificatory in nature and appears intended to remove any interpretational ambiguity regarding the legal basis for taxation of capital gains arising from the disposal of securities. By expressly incorporating the words "charge and", the provision reinforces that the relevant rate prescribed under Division VII governs both the charging and collection mechanisms for tax on capital gains.

Although the amendment does not alter tax rates or introduce a new tax burden, it strengthens the statutory foundation of the capital gains taxation regime and may assist the tax authorities in addressing technical challenges or litigation concerning the applicability of tax on securities transactions.

The amendment reflects the Government's continuing effort to tighten legislative drafting and ensure that charging provisions are clearly articulated, thereby reducing the potential for disputes regarding the interpretation of capital gains taxation provisions.

Impact

- No change in tax rates on capital gains from securities.
- Clarifies legislative intent regarding taxation of securities gains.
- Strengthens the legal enforceability of the provision.
- Reduces interpretational ambiguity and potential litigation.
- Primarily a technical and drafting amendment rather than a substantive tax measure.

Division VIIC Omission - Abolition of Tax on Deemed Income:

Division VIIC has been omitted following the proposed abolition of Section 7E. This removes the tax on deemed income arising from capital assets situated in Pakistan and provides significant relief to property owners and investors.

Division IXC Omission - Removal of Minimum Tax for Certain Sectors:

The minimum tax of 0.25% of turnover under Section 113 has been abolished for distributors of pharmaceutical products, fast-moving consumer goods (FMCGs), and cigarettes. This measure is expected to improve profitability and reduce compliance costs for these sectors.

Part III

Division IB - Omission Abolition of Withholding Tax on Sukuk Returns:

Division IB has been omitted, thereby eliminating withholding tax on returns earned by sukuk investors and enhancing the attractiveness of Islamic financial instruments.

Division 1C New Insertion - Introduction of Taxation on Certain Life Insurance and Family Takaful Payouts:

A new Division IC has been introduced to impose withholding tax on payouts and benefits arising from life insurance policies and family takaful certificates where funds are withdrawn before completion of seven years. Tax will apply at 15% for withdrawals within one year and 10% for withdrawals between one and seven years.

Division III - Increase in Withholding Tax on Specified Services:

The withholding tax rate on specified services has been increased from 6% to 7%.

Additionally, independent professionals including doctors, lawyers, architects, accountants, software engineers, and developers will be subject to withholding tax at 15%.

A separate withholding tax rate of 1.5% has been introduced for payments made to electronic and print media for advertising services.

Services not specifically covered under the prescribed categories will become subject to withholding tax at 14% of the gross amount payable.

Division IIIAA - Increase in Tax on Capital Gains from Certain Debt Securities:

The withholding tax under Section 151A on gains arising from disposal of certain debt securities has been increased from 15% to 20%.

Division IIIAB - Withholding Tax on Revenues Received from Social Media Platforms

A new Division IIIAB introduces a 5% withholding tax on revenues received from social media platforms. The tax will apply to resident taxpayers appearing on the Active Taxpayers List as well as non-resident persons. For non-residents, the tax will constitute a final tax liability.

Division IV - Exports

The withholding tax applicable to export proceeds and certain export-related transactions has been increased from 1% to 1.25%.

Division IVA- Exports of Services

The tax exemption available to exporters of software, IT services, and IT-enabled services registered with the Pakistan Software Export Board (PSEB) has been extended until 2029, reinforcing the Government's support for Pakistan's growing technology sector.

Part IV

Division X & XVIII - Reduction in Advance Tax on Property Transactions:

The withholding tax on sale of immovable property under Section 236C has been reduced by replacing the existing tiered structure with a flat rate of 2.75%. Similarly, the advance tax on purchase of immovable property under Section 236K has been reduced to a uniform rate of 1.25%, lowering transaction costs across the real estate sector.

Division XXVII - Advance Tax on Amount Remitted Abroad through Credit, Debit or Prepaid Cards:

The advance tax on amounts remitted abroad through credit, debit, and prepaid cards has been reduced from 5% to 0.5%, providing considerable relief to individuals and businesses making international payments.

Division XA Omission - Advance Tax on TV Plays and Advertisements:

Division XA has been omitted, effectively withdrawing the advance tax regime applicable to television plays and advertisements.



PART I: Exemptions from Total Income

Clause 57(4): Amendment in Sr. No. (xiii)

The Finance Bill, 2026 seeks to amend Sr. No. (xiii) of the table under Sub-Clause (4) of Clause (57) of Part I of the Second Schedule by substituting the institutional name as follows:

"National Endowment Scholarship for Talent (NEST)" → "Pakistan Education Endowment Fund"

Nothing changes except the name to use when making a claim: 'Pakistan Education Endowment Fund'.

Clause 57(4) – Insertion of Sr. Nos. (liii) to (lvii)

The Bill proposes to expand the list of approved institutions under Clause 57(4) by inserting the following five new entries into the table:

- *Pakistan Red Crescent Society*
- *Dawat-e-Hadiya*
- *Shaheen Foundation (Pakistan Air Force)*
- *Bahria Foundation (Pakistan Navy)*
- *Sindh Institute of Urology and Transplantation (SIUT)*

Five new organisations have been added to the approved list. Anyone donating to these institutions can now claim a tax exemption or credit, just like they would for any other approved organisation. This simply widens the existing benefit to more institutions.

Clause 78 – Amendment

The Bill seeks to amend Clause (78) of Part I of the Second Schedule. The specific change is as follows:

The words "Foreign Currency Account Scheme" (a specific named scheme) are replaced with "any foreign currency account scheme(s)" (open-ended reference).

The exemption used to apply to one specific scheme only. Now it covers all foreign currency account schemes approved by the State Bank of Pakistan, including any new ones introduced in the future, without needing a law change every time.

Clause 79 – Substitution

The Finance Bill, 2026 proposes to fully substitute Clause (79) of Part I of the Second Schedule.

Before substitution, the exemption was available to a non-resident individual who held a POC, NICOP or CNIC. The proposed substitution removes this identity-document-based eligibility and instead shifts the qualification to an account-based criterion. After substitution, the exemption shall apply to persons maintaining:

- *Non-Resident Pakistani Rupee Value Account (NRVA); or*
- *Non-Resident Business Value Account (NRBVA).*

Previously, eligibility was based on holding a specific identity document (POC/NICOP/CNIC). Now, it simply depends on the type of bank account you hold. Anyone with an SBP-approved non-resident account qualifies, regardless of which identity document they carry.

PART II: Reduced Rates of Tax

Clause 5AA – Amendment

The Bill proposes to amend Clause (5AA) of Part II of the Second Schedule, which prescribes a reduced rate of withholding tax, through two specific changes:

First: The word "individual" is replaced with "person", thereby extending the benefit beyond individuals to companies and AOPs as well.

Second: The expression "foreign currency account" is replaced with the following four SBP-designated account types:

- Foreign Currency Value Account (FCVA)
- Foreign Currency Business Value Account (FCBVA)
- Non-Resident Pakistani Rupee Value Account (NRVA)
- Non-Resident Business Value Account (NRBVA)

Two things change here:

- the benefit now applies to all taxpayers, not just individuals, and
- the eligible account types are updated to match SBP's current account structure. *Holders of FCBVA or NRBVA accounts, who were previously left out, are now included.*

Clause 24CC – New Insertion

The Finance Bill, 2026 seeks to insert a new Clause (24CC) in Part II of the Second Schedule. It introduces a specific withholding tax rate for persons rendering terminal or port services taxable under section 153(1)(b) of the Income Tax Ordinance, 2001.

The new clause reads as follows:

Tax under section 153(1)(b) in respect of payments to persons rendering terminal or port services shall be deducted at the rate of 12% of the gross amount of payment.

Terminal and port service providers now have their own dedicated withholding tax rate of 12%. Previously, they fell under the general rate for all service providers.

Clause 24D – Substitution

The Bill proposes to fully substitute Clause (24D) of Part II of the Second Schedule, which deals with the minimum tax rate under section 113 for certain distributors and dealers.

Under the substituted clause, a minimum tax rate of 0.5% of turnover under section 113 shall apply to distributors, dealers, sub-dealers and wholesalers engaged in the following sectors:

- Packaged food
- Fertilizer
- Locally manufactured mobile phones
- Sugar
- Electronics

A critical condition is attached: the reduced rate of 0.5% is only available where the taxpayer is simultaneously active on both the Active Taxpayer List (ATL) maintained under the Income Tax Ordinance, 2001, and the Active Taxpayer List under the Sales Tax Act, 1990.

PART IV: Exemptions from Specific Provisions

Clause 12A – Amendment (Editorial Change)

The Bill seeks to amend Clause (12A) of Part IV of the Second Schedule by replacing the second occurrence of the word "to" with the word "by" in the text of the clause.

Clause 47B – Amendment

The Finance Bill, 2026 proposes to amend Clause (47B) of Part IV of the Second Schedule by inserting the expression "151A" after the existing reference to section "151" in the clause. The Clause 151A deals with the 'Gain on disposal of debt securities' and exemption from withholding tax on sale of debt securities by specified entities in this clause would also be applicable.

Clause 46A – Omission

The Bill seeks to omit Clause (46A) of Part IV of the Second Schedule entirely resulting in the exemption from withholding applicable on iron and steel manufacturers from Section 153(3) will no longer be available.

Clause 57 – Omission

The Finance Bill, 2026 further proposes to omit Clause (57) of Part IV of the Second Schedule, which was previously read as under:

(57) The provisions of section 153 shall not apply to companies operating Trading Houses which—

- (i) have paid up capital of exceeding Rs.250 million;*
- (ii) own fixed assets exceeding Rs.300 million at the close of the Tax Year;*

(iii) maintain computerized records of imports and sales of goods;

(iv) maintain a system for issuance of 100% cash receipts on sales;

(v) present accounts for tax audit every year; and

(vi) is registered under the Sales Tax Act, 1990

Provided that the exemption under this clause shall not be available if any of the aforementioned conditions are not fulfilled for a tax year

"Provided further that minimum tax under section 113 shall be 0.5% upto the tax year 2021 and one per cent thereafter."

This clause is also being deleted. The relief it provided will no longer apply after the Finance Act, 2026. Taxpayers who relied on it should review their tax position accordingly.

Clause 111AB – Substitution

The Bill proposes to fully substitute Clause (111AB) of Part IV of the Second Schedule, which exempts certain non-residents from specific provisions of the Ordinance.

Before substitution: The exemption was available to non-resident individuals who specifically held a POC/NICOP/CNIC and maintained a Foreign Currency Value Account (FCVA) or Non-Resident Pakistani Rupee Value Account (NRVA).

After substitution: The identity-document requirement is removed. The exemption is now available to any person (not just individuals with identity documents) maintaining any of the following SBP-approved account types:

Foreign Currency Value Account (FCVA)

Foreign Currency Business Value Account (FCBVA)

Non-Resident Pakistani Rupee Value Account (NRVA)

Non-Resident Business Value Account (NRBVA)

Two changes: eligibility is no longer tied to a specific identity document, and two additional account types — FCBVA and NRBVA, are now included. This follows the same policy direction as the changes made to Clauses 79 and 5AA.

Second Schedule

Clause 114A – Substitution

The Finance Bill, 2026 seeks to substitute Clause (114A) of Part IV of the Second Schedule, which provides an exemption from the requirements to file a return of income (section 114) and to register with the tax authority (section 181).

After substitution, the exemption from filing and registration obligations shall apply to any person maintaining:

Foreign Currency Value Account (FCVA)

Foreign Currency Business Value Account (FCBVA)

Non-Resident Pakistani Rupee Value Account (NRVA); or

Non-Resident Business Value Account (NRBVA),

Provided that the person does not derive any Pakistan-source income other than the following permitted categories:

- Profit on the above-mentioned accounts;
- Profit on Government securities funded through such accounts;
- Capital gains on immovable property acquired through FCVA or NRVA; and
- Capital gains or dividends from listed securities and mutual funds acquired through such accounts.

Non-residents holding eligible accounts no longer need to file a tax return or register with FBR — as long as their only Pakistan-source income falls within the permitted categories listed above. The old identity-document requirement is gone; it now simply depends on the account type held.

Clause 115 – Amendment

The Bill proposes to amend Clause (115) of Part IV of the Second Schedule by substituting the word "one" with "two", thereby increasing the threshold of exemption from Section 153 applicable on the individual traders with turnover from 100 Million to 200 million.

The limit under this clause has been doubled, from one to two. This expands the scope of the concession accordingly.

Eight Schedule

The Bill seeks to omit the rule 5 of the Eighth Schedule of the Income Tax Ordinance, 2001.

Before omission the existing rule is as under:

“5. If a person intends not to opt for determination and payment of tax as laid down in this Schedule, he shall file an irrevocable option to NCCPL after obtaining prior approval of the Commissioner in the manner prescribed. In such case the provisions of rule 2 shall not apply.”

Tenth Schedule:

RULES FOR PERSONS NOT APPEARING IN THE ACTIVE TAXPAYERS’ LIST

The Bill seeks to omit the rule 1A of the tenth Schedule of the Income Tax Ordinance, 2001.

The Rule 1A provided 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 (late filers) under section 236C and 236K. This category was introduced in the previous year and have now been omitted and therefore now only rates applicable to filer or non filer exist applicable on the property transactions.

The Bill seeks to omit the clause (y) rule 10 of the tenth Schedule which deals with rules for persons not appearing in the active taxpayers’ list of the Income Tax Ordinance, 2001.

Before omission the existing clause (y) of the rule 10 is as under:

“Tax collected under section 37A on disposal of securities acquired on and from 1st day of July, 2025”

Sales Tax Act 1990 – Key Amendments

New proposed clauses introduced

2(1AA) Advance Receipt Invoice:

It is proposed to incorporate the existing concept of advance receipt invoice by expressly providing that such invoices shall be issued in the format as may be notified by the Board from time to time. The amendment seeks to grant flexibility to the Board to prescribe and update the invoice format through notifications.

2(1AAA) Algorithmic Settlement Mechanism:

It is proposed to align the provision with the algorithmic settlement mechanism. However, reference has been made to section 26AAA of the Act, whereas no such section presently exists in the Act, which may require clarification or correction.

2(9AB) Electronic Invoicing System:

It is proposed to expand the scope of electronic invoicing by including such electronic systems or mechanisms as may be prescribed or approved by the Board for the issuance and recording of sales tax invoices in electronic form.

2(17A) National Faceless Centre:

A new definition of “National Faceless Centre” is proposed to be inserted by referring to the National Faceless Centre as defined under section 32C of the Act.

2(22)(1A) Production Monitoring System:

A new clause in definition section of “Production Monitoring System” is proposed to be inserted to cover any system or technology used for monitoring the production and sale of goods, whether in real time or otherwise, including such systems and technologies as may be prescribed by the Board from time to time.

Newly Proposed Faceless Tax Administration Framework

11H. Faceless audit and assessment:

A new section 11H is proposed to be inserted by virtue of finance bill to introduce a faceless audit and assessment regime. Under the proposed provision, audits under sections 25 and 72B, proceedings under section 11E, and rectification proceedings under section 57 may be conducted in a faceless manner for such persons, classes of persons, incomes, or cases as may be specified by the Board.

Sales Tax Act 1990 – Key Amendments

The Board is proposed to be empowered via finance bill to determine the scope and applicability of the faceless regime. While the procedural framework of section 25 shall continue to apply, any hearing or recording of statement under section 37 shall be conducted through e-hearing. The finance bill further provides that the identity of the officer conducting such e-hearing, including facial and voice identity, shall remain confidential.

30AA. Faceless jurisdiction:

The Finance Bill proposes the insertion of a new section 30AA relating to faceless jurisdiction.

It provides that the Inland Revenue tax authorities appointed in the National Faceless Centre shall exercise such functions and powers under the Act as may be assigned by the Board in respect of specified persons or classes of persons and tax periods, through algorithm-based allocation system developed by board.

It further provides that such jurisdiction may be either exclusive or concurrent, and the Board may transfer cases or jurisdictions already assigned to the National Faceless Centre back to the jurisdictional Inland Revenue Officer under section 30, either on the recommendation of the Chief Commissioner or on its own accord.

The proposed section also empowers the Chief Commissioner of the National Faceless Centre to request the Board to direct any Inland Revenue Officer or other authority to conduct physical verification of business affairs, including assets, investments, expenditures, and other relevant information for conducting any proceedings assigned to the National Faceless Centre. The Board may allocate such verification through an algorithm-based system.

It further provides that the identity of the authority exercising jurisdiction at the National Faceless Centre shall remain confidential from the taxpayer and related persons.

Lastly, it provides that no notice, order or communication issued by such faceless authority shall be rendered invalid merely on the ground of lack of jurisdiction under section 30, absence of notified delegation under section 32, or confidentiality of the authority's identity.

Sales Tax Act 1990 – Key Amendments

32C. National faceless centre:

The Finance Bill proposes the insertion of a new section 32C regarding establishment of the National Faceless Centre.

It provides that the Board may establish a National Faceless Centre for conducting faceless proceedings under the Act and may specify its jurisdiction, powers, and functions. The Centre shall comprise a Director General together with such officers of Inland Revenue and support staff as may be determined by the Board.

It further provides that the Board may design algorithms for the assignment of functions or jurisdiction among officers working within the Centre, which may be organized into such wings and units as may be prescribed.

The proposed section also provides that audit, assessment, and quality control functions in respect of a particular case and tax period shall be performed by separate officers.

Lastly, it provides that all communications between internal units, taxpayers, and their authorized representatives shall be carried out exclusively through electronic means.

45C. Faceless appeals:

The Finance Bill proposes the insertion of a new section 45C relating to faceless appeals.

It provides that notwithstanding anything contained in the Act, any appeal filed under section 45B may be processed through the National Faceless Centre in such manner as may be prescribed by the Board.

It further provides that the provisions of section 45B shall apply mutatis mutandis to faceless appeals processed under this section.

Newly Proposed Institutional Reforms in Enforcement and Litigation Framework

30DDDB. Directorate General (Field Compliance) Inland Revenue:

The Finance Bill proposes establishment of Directorate General by virtue of new section 30DDDB relating to the Field Compliance of Inland Revenue.

It provides that the Directorate General (Field Compliance) Inland Revenue shall consist of a Director General along with such number of Directors, Additional Directors, Deputy Directors, Assistant Directors, and other officers as may be appointed by the Board through notification in the official Gazette.

It further provides that the Board may, by notification in the official Gazette, specify the functions and jurisdiction of the Directorate General and its officers, and may also confer upon them the powers of authorities specified under section 30 of the Act.

Sales Tax Act 1990 – Key Amendments

40F. Sale of confiscated goods by auction:

It proposes that where goods liable to confiscation under any provision of the Act have been confiscated, such goods shall, without prejudice to other applicable actions, be disposed of through public auction. It further provides that the sale may also be conducted through electronic means as prescribed by the Board. The proposed section also stipulates that, for the purposes of such auction and sale, the Board shall comply with the Public Procurement Regulatory Authority Rules, 2014.

It further provides that the sale proceeds shall be applied in a specified order of priority, firstly towards the expenses of sale, secondly towards payment of sales tax, other taxes, dues, penalties and surcharge payable to the Federal Government in respect of such goods, and lastly the remaining balance, if any, shall be paid to the owner of the goods upon application within six months. Failing such claim, the amount shall be deposited into the Government treasury. It is further provided that, where a goods declaration has been filed, the importer's share in the sale proceeds shall not exceed the declared value of the goods.

47AA. Algorithmic settlement mechanism: The Finance Bill proposes the insertion of a new

section 47AA to introduce a digitally operated algorithmic settlement mechanism for tax proceedings.

It provides that the Board may establish a digitally operated algorithmic settlement mechanism for settlement of tax proceedings at any stage prior to the issuance of an order under sections 11D or 11E of the Act.

Under this mechanism, the system may generate a settlement offer for a registered person based on prescribed criteria, including the stage of proceedings, the taxpayer's compliance history, the nature and extent of discrepancies, and any other relevant factors as determined by the Board. The registered person may opt to accept such offer within ten days through IRIS and deposit the specified amount.

It further provides that upon acceptance and payment of the settlement amount, the relevant issues raised in the notice or audit report shall stand abated.

However, it is also provided that such settlement shall not preclude proceedings in respect of any other issue or discrepancy not covered by the settlement offer, nor shall it affect proceedings relating to any other tax period.

Sales Tax Act 1990 – Key Amendments

47AAA Independent Case

Scrutiny Committee: The Finance Bill proposes the insertion of a new section 47AAA relating to an Independent Case Scrutiny Committee.

It provides that any reference under section 47 before the High Court, or any appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan, shall be filed by the Commissioner Inland Revenue only after prior approval of an Independent Case Scrutiny Committee constituted by the Board.

It further empowers the Board to constitute one or more such committees and assign to them cases or classes of cases decided by the Appellate Tribunal Inland Revenue or the High Court.

The Committee is proposed to comprise a retired judge of the Supreme Court, Federal Constitutional Court, or High Court as Chairman, an advocate having at least fifteen years of experience in tax and commercial litigation, and a senior serving or retired FBR officer (BS-20 or above), all to be nominated as prescribed by the Board.

It further provides that the recommendations of the Committee shall be binding on the

Commissioner Inland Revenue having jurisdiction over the case.

The proposed section also grants legal protection to the members of the Committee and the concerned Commissioner, stating that no suit, prosecution, or legal proceedings shall lie against them in respect of decisions made under this section.

Lastly, it provides that the Committee shall exercise its functions from the date of its constitution as notified by the Board.

Amendments Proposed in Existing and Insertion of New Clauses/Sections

2(43A) Tier-1 Retailer: The Finance Bill proposes amendments in clause (43A) relating to the definition of “Tier-1 retailer”. It proposes that in sub-clause (d), relating to wholesaler-cum-retailer, a threshold of two hundred million rupees has been introduced to further qualify the category.

It further proposes omission of sub-clause (f) relating to POS acquisition for digital payments and sub-clause (g) relating to retailers whose withholding tax under sections 236G and 236H of the Income Tax Ordinance, 2001 is applied during the immediately preceding twelve consecutive months as prescribed by the Board.

Sales Tax Act 1990 – Key Amendments

It further proposes insertion of a new sub-clause (gb), whereby a retailer having turnover exceeding two hundred million rupees, either by way of declaration or on the basis of worked-back value of turnover from tax deduction under sections 236G or 236H of the Income Tax Ordinance, 2001 during the immediately preceding twelve consecutive months, shall be included in the definition of Tier-1 retailer.

It further proposes that in sub-clause (h), a proviso be inserted empowering the Board to exclude any person or class of persons from the definition through notification in the official Gazette.

2(44) Time of Supply:

The Finance Bill proposes that in clause (44), after sub-clause (a), an Explanation be inserted to clarify the scope of the expression “goods are delivered or made available”. It provides that, for removal of doubt, the said term shall mean that goods become ready for dispatch from the business premises, including but not limited to a factory, warehouse, godown, or branch.

2(46) Value of Supply: The Finance Bill proposes amendments in clause (46), sub-clause (j), whereby the Board is

empowered to determine valuation of goods with reference to values notified by the Pakistan Bureau of Statistics immediately prior to the commencement of the relevant tax period.

It further proposes insertion of a proviso empowering the Board, where considered appropriate, to assign or outsource the function of valuation of goods to third party service providers in such manner as may be prescribed.

6. Time and Manner of

Payment: The Finance Bill proposes amendments in section 6, sub-section (2), whereby a further proviso is inserted after the first proviso. It provides that in the case of steel melters, steel re rollers and composite units, the tax shall be collected on the basis of per unit electricity consumption at such rate as may be prescribed by the Board through notification in the official Gazette.

It further provides that the tax so collected shall be adjustable, and any excess amount, if applicable, shall be refunded on a monthly basis through the Board’s automated refund system, subject to integration of the registered persons with the Board’s prescribed production monitoring and digital invoicing systems.

Sales Tax Act 1990 – Key Amendments

8B. Adjustable Input Tax: The Finance Bill proposes amendments in section 8B, sub-section (1), whereby an additional proviso is inserted after the second proviso. It provides that the Board may, through notification in the official Gazette, reduce or enhance the threshold limit specified under this sub-section in respect of any registered person.

Such determination is proposed to be based on the level of compliance or non-compliance with the production monitoring system, digital invoicing, e-bilty system, POS integration, or any other electronic system prescribed by the Board for digital integration of data.

9. Debit and Credit Note: The Finance Bill proposes amendments in section 9 whereby a proviso is inserted to provide that the issuance of debit and credit notes shall be governed through a mechanism, including electronic adjustments, as may be prescribed by the Board.

21. De-registration, blacklisting and suspension of registration: The Finance Bill proposes amendments in section 21, sub-section (2), whereby the scope is expanded by inserting a reference

to cases involving non-compliance with sub-sections (5) and (6) of section 23 or section 40C.

23. Tax Invoices: The Finance Bill proposes amendments in section 23, sub-section (1), whereby the scope of invoicing requirements is expanded to include exempt supplies along with taxable supplies, and it is provided that such supplies shall require issuance of a tax invoice, including an advance receipt invoice, bearing a verifiable and unique FBR invoice number.

It further proposes substitution of the existing provisos in clause (b) after the Explanation. It provides that the Board may notify any person or class of persons who may be permitted to issue advance receipt invoices within the prescribed system.

It further provides that the requirement relating to a verifiable and unique FBR invoice number shall become applicable from such date as may be notified by the Board.

Sales Tax Act 1990 – Key Amendments

25. Audit of sales tax affairs:

The Finance Bill proposes amendments in section 25, whereby a new sub-section (8A) is inserted to empower the Commissioner, during audit proceedings and subject to specified conditions, including the complexity and volume of accounts, doubts regarding correctness of accounts, multiplicity of transactions, or the specialized nature of business activity, to direct a registered person, after providing an opportunity of hearing and obtaining prior approval of the Chief Commissioner, to undertake re-audit of accounts by an accountant or revaluation of inventory by a cost accountant, as the case may be, and submit the respective reports along with responses to specific queries. It further provides that the accountant or cost accountant shall be nominated by the Commissioner from a panel notified by the Board.

It further provides insertion of sub-section (8B), whereby upon completion of audit proceedings, the officer of Inland Revenue, after obtaining explanation of the registered person on all audit issues, shall issue an audit report containing observations and findings.

It further proposes amendments in sub-section (9) by substituting the reference of “completion of the audit” with “issuing the audit report”.

It further proposes amendments in sub-section (11), whereby the requirement relating to intent to deposit tax is modified to actual deposit, and the

existing threshold condition is reduced from full amount to fifty percent.

40C. Monitoring or Tracking by Electronic or other means:

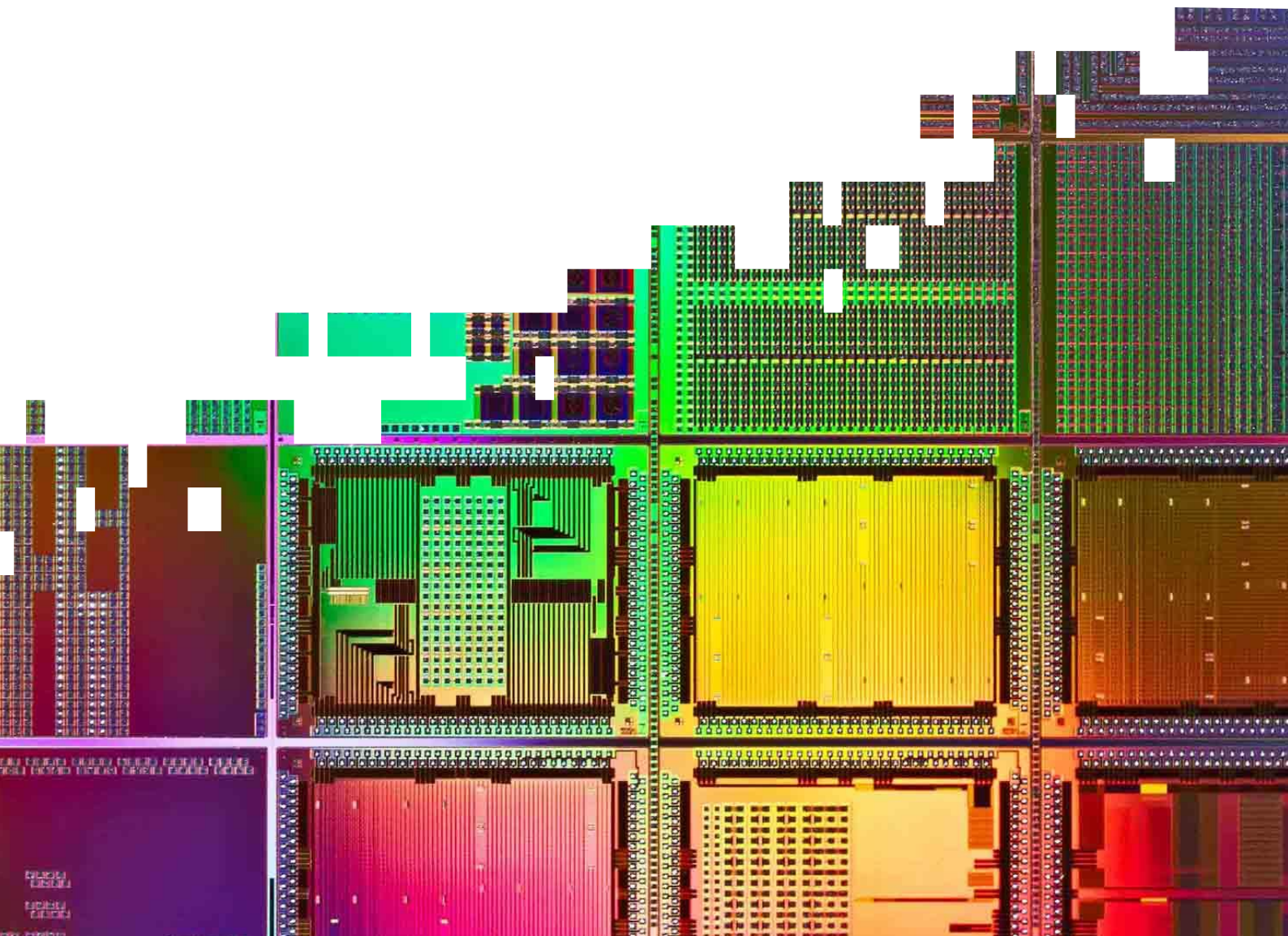
The Finance Bill proposes amendments in section 40C, whereby sub-sections (2) and (3) are substituted to strengthen the production monitoring and tax stamp regime. It provides that, from such date as may be notified by the Board, no taxable goods shall be removed or sold unless such goods are affixed with tax stamps, banderols, stickers or labels, or are otherwise monitored through a Production Monitoring System, video analytics or any other prescribed mechanism, in such form and manner as may be specified by the Board. It further provides that the prescribed tax stamps, banderols, stickers, labels, barcodes and production monitoring equipment shall be procured by the registered person from a licensee appointed by the Board.

It further proposes insertion of a new sub-section (6), whereby any taxable goods subject to prescribed monitoring, tracking or identification requirements, which are manufactured, produced, removed, transported, supplied or otherwise dealt with without affixation of the prescribed tax stamps, labels or compliance with the prescribed monitoring system, shall be liable to seizure and confiscation in the prescribed manner, along with the conveyance used for their movement.

Sales Tax Act 1990 – Key Amendments

56B. Disclosure of information by a public servant:

The Finance Bill proposes insertion of a new sub-section (3) in section 56B, whereby notwithstanding anything contained in sub-section (1), the Board is empowered to share data contained in sales tax returns of registered persons with other registered persons belonging to the same sector. Such data sharing is proposed to be carried out under strict non-disclosure arrangements with the objective of promoting market equity and enhancing tax compliance, subject to such limitations, restrictions and conditions as may be prescribed by the Board.



Sales Tax Act 1990 – Key Amendments

33. Offences, Penalties and Punishment

S. No.	Offences	Existing Penalties and Punishment	Proposed Penalties and Punishment
1	Where any person fails to furnish a return within the due date.	Such person shall pay a penalty of ten thousand rupees: Provided that in case a person files a return within ten days of the due date, he shall pay a penalty of two hundred rupees for each day of default.	Such person shall pay a penalty of fifty thousand rupees: Provided that in case a person files a return within ten days of the due date, he shall pay a penalty of two thousand rupees for each day of default.
2	Any person who fails to issue an invoice when required under this Act.	Such person shall pay a penalty of five thousand rupees or three percent of the amount of the tax involved, whichever is higher.	Such person shall pay a penalty of twenty-five thousand rupees or five percent of the amount of the tax involved, whichever is higher.
3	Any person who unauthorizedly issues an invoice in which an amount of tax is specified.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher.	Such person shall pay a penalty of fifty thousand rupees or ten per cent of the amount of the tax involved, whichever is higher.
5	Any person who fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Act or rules or orders made there under.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher: Provided that, if the amount of tax or any part thereof is paid within ten days from the due date, the defaulter shall pay a penalty of five hundred rupees for each day of default: Provided further that no penalty shall be imposed when any miscalculation is made for the first time during a year: Provided further that if the amount of tax due is not paid even after the expiry of a period of sixty days of issuance of the notice for such payments by an officer of Inland Revenue, not below the rank of Assistant Commissioner Inland Revenue, the defaulter 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 amount equal to the amount of tax involved, or with both.	Such person shall pay a penalty of fifty thousand rupees or five per cent of the amount of the tax involved, whichever is higher: Provided that, if the amount of tax or any part thereof is paid within ten days from the due date, the defaulter shall pay a penalty of five thousand rupees for each day of default: Provided further that no penalty shall be imposed when any miscalculation is made for the first time during a year: Provided further that if the amount of tax due is not paid even after the expiry of a period of sixty days of issuance of the notice for such payments by an officer of Inland Revenue, not below the rank of Assistant Commissioner Inland Revenue, the defaulter 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 amount equal to the amount of tax involved, or with both.

Sales Tax Act 1990 – Key Amendments

S. No.	Offences	Existing Penalties and Punishment	Proposed Penalties and Punishment
7	Any person who is required to apply for registration under this Act fails to make an application for registration before making taxable supplies.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher: Provided that such person who is required to get himself registered under this Act, fails to get registered within sixty days of the commencement of taxable activity, 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.	Such person shall pay a penalty of fifty thousand rupees or five per cent of the amount of tax involved, whichever is higher: Provided that such person who is required to get himself registered under this Act, fails to get registered within sixty days of the commencement of taxable activity, 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.
8	Any person who fails to maintain records required under this Act or the rules made there under.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher.	Such person shall pay a penalty of fifty thousand rupees or five per cent of the amount of tax involved, whichever is higher.
25 (New)	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 this Act, and if registered, fails to integrate in the manner as required under law within the stipulated time as notified by the Board.		Such person shall be liable to pay a penalty up to one million rupees if he continues to commit the offence after one month of the imposition of first penalty, he shall be liable to second penalty of up to five million rupees. Notwithstanding, his business premises shall be liable to be sealed with or without imposition of penalty by an officer of Inland Revenue in the manner as may be prescribed.

Sales Tax Act 1990 – Key Amendments

S. No.	Offences	Existing Penalties and Punishment	Proposed Penalties and Punishment
29 (New)	Where any registered person issues a tax invoice for a transaction which is simulated or fictitious, or for which no actual supply of goods or services has taken place, as established after notice and adjudication.		<p>(i) Such person shall pay a penalty equal to the face value of the simulated or fictitious invoice or invoices.</p> <p>(ii) The Board shall, after issuance of a show cause notice and an opportunity of being heard, place the name and registration number of such person on a publicly accessible simulated invoice issuers register maintained on the Board's computerized system.</p> <p>(iii) Any input tax credit claimed by a counterparty on the basis of invoices issued by a person on the simulated invoice issuers register shall be reversed automatically and treated as inadmissible with effect from the date of listing.</p> <p>(iv) Listing on the register shall be removed upon full payment of the penalty and default surcharge, and upon satisfactory demonstration of compliance.</p>
30 (New)	Where the Board's computerized system identifies that input tax credit claimed by a registered person in respect of any tax period cannot be matched to corresponding output tax declared by the supplier for the same or proximate tax period, and such mismatch is confirmed after issuance of notice and provision of opportunity of being heard.		Such person shall pay a penalty of twenty percent of the unmatched input tax amount, in addition to reversal of the inadmissible credit and payment of default surcharge under section 34.
31 (New)	Where a registered person has claimed input tax credit on the basis of invoices issued by a person who is subsequently placed on the simulated invoice issuers register under S. No.29, and such registered person fails to reverse the inadmissible input tax credit within sixty days of the listing of the invoice issuer on the register.		Such person shall pay a penalty of twenty percent of the unreversed input tax credit, in addition to the reversal of such credit and default surcharge under section 34.

Sales Tax Act 1990 – Key Amendments

SALES TAX – PROPOSED AMENDMENTS IN SCHEDULES: THIRD SCHEDULE

The proposed amendment seeks to add the below items in the list of third schedule which will be taxed at retail price.

Sr. #	Description
56	Vegetable and animal fats and oils
56	Sugar confectionery
57	Pasta, noodles, lasagne, couscous and similar products
58	Sauces, ketchup, condiments, mustard flour and prepared mustard
59	Fermented beverages
60	Petroleum jelly, paraffin wax, ozocerite and similar mineral waxes
61	Insecticides, rodenticides, fungicides, herbicides, disinfectants
62	Plastic plates, sheets, film, foil, tape and strip
63	Tableware, kitchenware, plastic furniture, household articles of plastics
64	Trunks, briefcases, handbags, wallets and similar containers of leather/plastic/textile
65	Footwear - all types
66	Bathroom accessories, sanitaryware, taps, showerheads, mixers
67	Crockery items
68	Car and automobile accessories
69	Milk, fat-filled milk, infant preparations and other milk products
70	Preparations for use on the hair
71	Shaving preparations, deodorants, bath preparations, cosmetics, perfumery
72	Tissue stock, cellulose wadding and household/sanitary paper
73	Jams, jellies, marmalades, fruit and nut pastes
74	Household utensils - stainless steel, aluminium, melamine and other tableware
75	Ceramic products - wash basins, commodes, tiles and allied ceramic sanitary products

A clarificatory note proposed at the end of the amendment provides that where the Federal Government has already notified a rate higher than eighteen percent in respect of any of the proposed entries, that higher rate shall continue to apply after inclusion in the Third Schedule.

Sales Tax Act 1990 – Key Amendments

SIXTH SCHEDULE

The proposed amendment seeks to add and change below items in the list of 6th Schedule;

Sr. #	Existing Description	Proposed Description
TABLE 1		
32	Newsprint and books but excluding brochures, leaflets and directories	Newsprint, books and magazines but excluding brochures, leaflets and directories
157	<p>Import of CKD (in kit form) of following electric vehicles (4 wheelers) by local manufacturers till 30th June, 2026</p> <p>(i) Small cars/SUVs with 50 Kwh battery or below; and</p> <p>(ii) Light commercial vehicles (LCVs) with 150 kwh battery or below</p>	<p>Import of CKD (in kit form) of following electric vehicles (4 wheelers) by local manufacturers till 30th June, 2027:</p> <p>(i) Small cars/SUVs with 50 Kwh battery or below; and</p> <p>(ii) Light commercial vehicles (LCVs) with 150 kwh battery or below</p>
181	Import or lease of aircrafts and parts thereof by Pakistan International Airlines Corporation Limited (PIACL)	<p>Import or lease of aircrafts and parts thereof by Pakistan International Airlines Corporation Limited (PIACL).</p> <p>Provided that the custom authorities shall ensure that the quantities of things imported are limited to the requirements of materials and articles to be used in operations and maintenance of the aircrafts operated by the airline:</p> <p>Provided further that the ground handling equipment, service and operation vehicles, catering equipment and fuel trucks, not manufactured locally, and imported shall be used within airport premises as aforesaid.</p>
182 (New)		Contraceptives

Sales Tax Act 1990 – Key Amendments

SIXTH SCHEDULE

The proposed amendment seeks to add and change below items in the list of 6th Schedule;

Sr. #	Existing Description	Proposed Description
TABLE 1		
183 (New)		Female sanitary pads and tampons
184 (New)		Import of: <ul style="list-style-type: none"> – Tankers, – Dredgers, – Floating or submersible drilling, or production platforms, – Others floating structures and vessels. – Other vessels for the transportation of goods Excluding Cruise ships, excursion boats and similar vessels principally designed for the transport of persons; ferry- boats of all kinds Provided that the quantity of imported goods under this entry shall be approved by Ministry of Maritime Affairs
185 (New)		Import of bullet proof vehicles by the: <ul style="list-style-type: none"> (i) Federal Government for logistic arrangements for Shanghai Cooperation Organization (SCO) summit subject to the prior approval from the Ministry of Foreign Affairs and the Ministry of Interior and Narcotics Control. (ii) By the Federal Government or Provincial Government for threat of terrorism against a public functionary as determined by the Ministry of Interior and Narcotics Control, subject to approval by the Federal Government.

Sales Tax Act 1990 – Key Amendments

SIXTH SCHEDULE

The proposed amendment seeks to add and change below items in the list of 6th Schedule;

Sr. #	Existing Description	Proposed Description
TABLE 3		
<p style="text-align: center;">23 (New)</p>		<p>Import of following machinery / equipment for upgradation of existing refineries:</p> <ol style="list-style-type: none"> 1.Reactors, 2.Shell and Tube Exchangers, 3.Vessels (Strippers/ Separators/ K.O.Drums), 4.Trim Coolers, 5.Air Coolers (Condensers), 6.Fired Heaters, 7.Centrifugal Pumps, 8.Reciprocating Pumps, 9.Centrifugal Compressors, 10.Reciprocating Compressors, 11.Steam Reformer Furnaces, 12. Filters, <p>Provided that all such imports shall be essentially made for expansion of balancing, modernization, and rehabilitation of existing refineries and the quantity imported by each refinery shall be approved by Ministry of Petroleum and Natural Resources.</p> <p>Condition:</p> <p>The goods shall be imported directly by the refinery after approval by the division concerned.</p>
<p style="text-align: center;">24 (New)</p>		<p>Import of machinery, equipment, raw materials, components and other capital goods, by Karachi Shipyard and Engineering Works Limited.</p> <p>Condition:</p> <p>The Division dealing with the subject matter shall certify in the prescribed manner and format as per Annex-B that the imported goods are bona fide requirement.</p> <p>The authorized officer of the Ministry shall furnish all relevant information online to Pakistan Customs Computerized System against a specific user ID and password obtained under section 155D of the Customs Act, 1969.</p>

Sales Tax Act 1990 – Key Amendments

EIGHTH SCHEDULE

The proposed amendment seeks to change below items in the list of 8th Schedule;

Sr. #	Existing Description	Proposed Description
71	Following locally manufactured or assembled electric vehicles (4 wheelers) till 30th June, 2026: (i) Small cars/SUVs with 50 Kwh battery or below; and (ii) Light commercial vehicles (LCVs) with 150 kwh battery or below	Following locally manufactured or assembled electric vehicles (4 wheelers) till 30th June, 2027: (i) Small cars/SUVs with 50 Kwh battery or below; and (ii) Light commercial vehicles (LCVs) with 150 kwh battery or below
80	EV transport buses of 25 seats or more in CBU condition	EV transport buses of 25 seats or more and electric trucks in CBU condition.

ELEVENTH SCHEDULE

The proposed amendment seeks to add and change below items in the list of 11th Schedule;

Sr. #	Existing Description	Proposed Description
4	Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001) excluding companies exporting surgical instruments	Companies, association of persons and individuals as defined in the Income Tax Ordinance, 2001 (XLIX of 2001) excluding companies exporting surgical instruments
14 (New)		Withholding agent: Registered persons engaged in toll manufacturing Supplier Category: Person other than registered person Rate or extent of deduction: four times of the tax charged on conversion charges.

Sales Tax Act 1990 – Key Amendments

TWELFTH SCHEDULE

The Finance Bill proposes amendments in the Twelfth Schedule under the heading “Procedure and Conditions”, whereby additional provisos are inserted in clause (2) after sub-clause (i). It provides that the manufacturer shall be liable to pay 3% value addition tax on ad valorem basis along with default surcharge where imported goods are supplied in the same state, whether in the same packing, repacked, or in bulk.

It further provides that where the benefit of waiver of 3% value addition tax is availed on the basis that imported goods are intended for in-house consumption in the manufacturing process, but such goods are not so used and are instead supplied in the same condition, and such supplies exceed 50% of total imports during a financial year, the person concerned shall be liable to prosecution.

Federal Excise – Key Amendments

Reduction in FED on foreign travel

An amendment is proposed to reduce Federal Excise Duty on foreign travel. The revised rates for foreign travel are set out below.

Description	Proposed Tax Rate	Previous Rate up to 30-06-2026
Club, business and first-class air tickets issued on or after the 1st day of July, 2026:		
(a) IATA Traffic Conference Area 1 (North, Central, South America and Environs)	Fifty thousand rupees	Three Hundred and Fifty Thousand Rupees
(b) IATA Traffic Conference Area to:	Twenty-five thousand rupees	One hundred and five thousand Rupees
(I) Middle East and Africa	Forty thousand rupees	Two Hundred and ten thousand Rupees
(II) Europe	Forty thousand rupees	Two Hundred and ten thousand Rupees
(c) IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands)	Forty thousand rupees	Two Hundred and ten thousand Rupees

Reduction in FED on the import of acetate tow

Federal Excise Duty on the import of acetate tow is proposed to be reduced from Rs. 44,000 per kg to Rs. 10,000 per kg.

Removal of FED on WHO-compliant sports and electrolyte-replenishing beverages

It is proposed to remove Federal Excise Duty on World Health Organization-standard compliant sports and electrolyte-replenishing beverages.

Exemption for strategic imports of vehicles for the SCO Summit and counter-terrorism

It is proposed to exempt Federal Excise Duty on strategic imports of vehicles for the SCO Summit and for counter-terrorism purposes.

Extension of exemption on the import of CKD kits for electric vehicles

It is proposed to extend the exemption from Federal Excise Duty on the import of CKD kits for electric vehicles by one year, up to 30 June 2027.

Federal Excise – Key Amendments

Increase in FED on e-liquid for electronic cigarettes

Federal Excise Duty on e-liquid for electronic cigarettes is proposed to increase from Rs. 10,000 per kg to Rs. 16,500 per kg. In addition, the existing maximum cap of 65% of the retail price is proposed to be removed.

Inclusion of imports of bulletproof vehicles by the Federal Government in the Third Schedule

It is proposed to include in the Third Schedule the import of bulletproof vehicles by the Federal Government for logistics arrangements for the Shanghai Cooperation Organization (SCO) Summit, subject to prior approval from the Ministry of Foreign Affairs and the Ministry of Interior and Narcotics Control. The proposal also covers imports by the Federal or Provincial Government in cases involving a terrorism threat against a public functionary, subject to approval by the Federal Government.

Imposition of FED on naphtha, solvent oil, turpentine, base oil and base lubricating oil

It is proposed to impose Federal Excise Duty on naphtha, solvent oil, turpentine, base oil and base lubricating oil through inclusion in the First Schedule, serial no. 55A.

Description	HS Code	Tax Rate
Lubricating oil and base lubricating oils	2710.1951, 2710.1952 2710.1953, 2710.1993	5% ad valorem.
Petroleum top Naphtha	2710.1942	Rs. 80 per Liter
White Spirit/Mineral Turpentine Oil (MTT)	2710.1240	Rs. 80 per Liter
Solvent Oil	2710.1250	Rs. 80 per Liter

Insertion of Table 1A in the Federal Excise Act, 2005

It is proposed to insert Table 1A in the Federal Excise Act, 2005 to impose Federal Excise Duty on specified luxury imported vehicles based on customs value. The proposed rates are set out below.

Electric cars, electric SUVs, and electric pickup vehicles, imported for personal use in CBU condition, of import including Duty: -	Tax Rate
Not exceeding PKR 20 million	0%
exceeding PKR 20 million and up to PKR 30 million	30%
exceeding PKR 30 million	40%

Federal Excise – Key Amendments

Insertion of definitions in the Federal Excise Act, 2005

Definitions of advance receipt invoice, algorithmic settlement mechanism, electronic invoicing system, National Faceless Centre and production monitoring system are proposed to be inserted in the Federal Excise Act, 2005.

Insertion of section 7A for faceless audit and assessment

A new section 7A is proposed to introduce faceless audit and assessment. Under the proposal, audit, assessment and appeal proceedings would be conducted in a faceless manner as prescribed by the Board from time to time. The Board may also establish a digitally operated algorithmic settlement mechanism for the settlement of proceedings at any stage.

Amendment to section 18(1) regarding invoices

Section 18(1) is proposed to be amended to prescribe the manner in which invoices are to be issued under the Federal Excise Act, 2005. The invoice would be required to include the names and addresses of the buyer and seller, the value exclusive of excise duty, and the amount of excise duty, in both English and Urdu.

Amendment to section 19(4) regarding destruction of goods

Section 19(4) is proposed to be amended so that prior approval of the Officer of Inland Revenue is required for destruction of goods. Where goods are destroyed without approval of the Commissioner, the proposal provides for a penalty of Rs. 75,000 or ten times the duty involved, whichever is higher, and imprisonment for a term that may extend to five years, or both.

Amendments to sections 26 and 27 regarding seizure and destruction of goods

Section 26(1) is proposed to be amended to empower the tax authorities to seize vehicles transporting cigarettes, beverages or other goods without payment of Federal Excise Duty or without the required tax stamps, barcodes, banderols, stickers or labels under section 45A of the Federal Excise Act, 2005.

Section 27(1) is proposed to be amended to empower the tax authorities to destroy cigarettes, beverages or other goods where Federal Excise Duty has not been paid or where the required tax stamps, barcodes, banderols, stickers or labels under section 45A have not been affixed.

Federal Excise – Key Amendments

Insertion of section 34AA regarding Independent Case Scrutiny Committee

A new section 34AA is proposed for the constitution of an Independent Case Scrutiny Committee, in the manner to be prescribed by the Board.

Amendment to section 45A regarding monitoring of goods

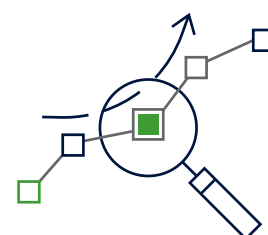
Section 45A is proposed to be amended to provide for monitoring or tracking of excisable goods by electronic or other means in the manner prescribed by the Board. The proposal also provides that excisable goods may not be removed or sold by a manufacturer without the prescribed stamps, labels or barcodes, which are to be obtained by the licensee.

Insertion of section 46(3A) regarding hiring of auditors

A new section 46(3A) is proposed to allow the Commissioner to engage auditors or accountants where specialised review is considered necessary due to the complexity of financial transactions.

Addition of specified petroleum products to the First Schedule

It is proposed to levy Federal Excise Duty on specified petroleum products, including petroleum top naphtha, white spirit/mineral turpentine oil (MTT) and solvent oil, through inclusion in the First Schedule, serial no. 55A.



Customs Act, 1969 - Key Amendments

Section 2 – Definitions:

The Bill proposes to amend section 2 of the Custom Act, 1969 whereby inserted new definitions as under;

1. State Warehouse

After clause (ssss), a new clause (ssssa) inserted to give the definition of State Warehouse as under;

(ssssa) “State Warehouse” means any place authorized by the Collector of Customs to store the detained, seized or confiscated goods, as the case may be.

Section 19(5) - Amendment

The Bill seeks to amend this section to give continuity to the notifications issued under this section during the financial year. In this section, in second proviso for the figure within “2026” the figure “2027” proposed to be substituted. Accordingly, all notifications issued on or after July 1st 2016 and placed before National Assembly shall continue to be enforced till June 30th 2027.

Section 32(3) – Amendment

The Bill seeks to amend section 32(3), in the first proviso, the words “in a case” is proposed to be omitted.

Presently the said proviso is as under:

“Provided that if the recoverable amount is a case is less than twenty thousand rupees, the Customs authorities shall not initiate the aforesaid action.”

Section 32(3A) - Amendment

The Bill seeks to amend section 32(3A) the words “in a case” is proposed to be omitted.

Presently the said proviso is as under:

“Provided that if the recoverable amount is a case is less than one hundred thousand rupees, the Customs authorities shall not initiate the aforesaid action”.

Section 80(4) - New Insertion

The Bill seeks to insert a new word in sub- section (4) in section 80 after the word “examined”, a comma proposed to be inserted and thereafter the word “scanned” is proposed to be inserted.

Presently this section is as under:

“In case of the Customs Computerized System, goods may be examined and assessed only on the basis of computerized selectivity criteria”.

The Bill seeks to amend section 80(4), in the proviso, after the word “examined”, the words “or scanned” is proposed to be inserted.

Presently the said proviso is as under:

“Provided further that in case of clearance of goods declaration through green channel, the goods may be examined with the prior approval of Collector of Customs.”

Customs Act, 1969 - Key Amendments

Section 82(1) – Amendment & New Insertion

The Bill seeks to amend this sub-section(1) whereby proposed to substitute the word “Federal Government” to “Board”.

Presently the said sub-section is as under:

“The owner of the goods shall be liable to such penalties as may be notified by the Federal Government.”

The Bill further seeks to amend the first proviso of this sub-section(1) whereby after the word “waive” the words “or reduced” proposed to be inserted.

Presently the proviso of this sub-section is as under:

“Provided that in unavoidable circumstances, the Collector of Customs may waive the penalty fixed under this section.”

After this proviso the bill seeks to insert another proviso as under:

“Provided further that the board may notify the rules to regulate the implementation of above provisions, including the process of appeal against imposed penalties and the Customs, goods or class of goods, where the provisions of sub-section (1) shall not be applicable.”

Section 82(2) – New Insertion

The Bill seeks to insert new proviso as under:

“Provided also that the Board may authorized any person, to auction any auctionable goods, in the manner as notified by the Board.”

Customs Act, 1969 - Key Amendments

Section 156(1) – Amendment & New Insertion

The Bill seeks to amend serial no.7A the penalty of rupees “five hundred thousand” is proposed to be increase to rupees “ten million”. The said increase in penalty is chargeable on the following offense:

“If any agency or person or authorities, fails to entertain a delay and detention certificate issued by the officer of Customs.”

The Bill further proposed to insert S No.62A after the S No. 62 which is as under:

62A	If any person is found to be involved or abetting in the removal, substitution, damaged or otherwise tempering with any goods, whether or not confiscated, at any such place as authorized by the Collector as a State Warehouse.	Such person shall be liable to a penalty not exceeding two times the value of goods involved, and upon conviction by a Special Judge, shall further be liable to imprisonment for a period not exceeding five years, or fine or both.	General
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Section 156, S. No. 83 – Amendment

The Bill seeks to amend the existing entry in column two as following:

“If an officer of any authority who is duty bound under section 170 to deposit the impugned goods with customs, neglects so to do.”

Presently the entry is as under:

“Such officer shall, on conviction before Special Judge, be liable to a penalty not exceeding fifty thousand rupees.”

Section 157(2) – New Insertion

The Bill seeks to insert explanation after sub-section 2 of section 157 as under:

“Explanation: - The word “removal” includes, and shall be deemed to have always included, every act to carrying, transporting, depositing, harbouring, keeping, concealing, retailing, or any other act involving movement of smuggled goods.”

Section 170 – Amendment

The Bill seeks to substitute the existing section 170 as under:

Procedure in respect of goods seized or detained by other authorities

Notwithstanding anything contained in any other law for the time being in force, when any goods liable to confiscation under this act are detained or seized by any other authority on any violation, irrespective of any pending proceedings under the laws of that authority, the Customs authorities upon confirmation that such goods are liable to confiscation shall intimate that authority in writing and that authority shall be bound to deposit the impugned goods with Customs for further processing under this act.

Customs Act, 1969 - Key Amendments

Section 179 (6) – New Insertion

The Bill seeks to insert new sub-section (6) after sub-section (5) as under:

“Notwithstanding anything contained in this act or any other law for the time being in force, the Board may notify a procedure for faceless adjudication whereby adjudication proceedings shall be conducted without any face to face interaction between the adjudicating officer and the respondent. The virtual mode shall be in such manner as may be prescribed by the Board from time to time.”

Section 185A – New Insertion

The Bill seeks to insert after sub-section (5) a new sub-section (6) as under:

“Where a Special Judge during trial of an offense punishable under this Act, is satisfied that there is any reasonable grounds for believing that the accused has committed an illegal transfer of funds into or out of Pakistan, he may order of the freezing of the assets of the accused, whether in his possession or in the possession of any other person on his behalf.”

Section 196J – New Insertion

The Bill seeks to insert new section 196JJ after section 196J as under:

“196JJ. Independent case scrutiny committee:

Any Civil petition, reference, civil petition for leave to appeal or review petition before the High Court, the Federal Constitutional Court or the Supreme Court of 11 Pakistan shall only be filed by the Collector or Director of Customs, or any officer of Customs not below the rank of Deputy Collector or Deputy Director authorized by the Collector or Director of Customs, in writing, subject to approval by an independent case scrutiny committee, as constituted by the Board

under sub-section (3).

The Board may constitute one or more such committees and assign them jurisdiction which shall exercise the powers and functions in a manner, and from the date, as may be notified by the Board.

The independent case scrutiny committee shall comprise of the following Members, namely: —

- a) A retired judge of superior judiciary who shall also act as Chairman of the Committee;
- b) an advocate having not less than fifteen years of experience in customs and commercial litigation before the High Court or Supreme Court of Pakistan; and
- c) a serving or retired officer not below the rank of Director or Collector of Customs.

The members shall receive such remuneration as may be prescribed by rules.

Recommendations of the committee shall be binding upon the concerned Collector or Director of Customs.

No suit, prosecution or other legal proceedings shall lie against the members of the committee in relation to the decisions made under this section.”

Section 215 Clause C - New Insertion

The Bill seeks to insert a new clause (d) after clause (c) as under:

“(d) in the manner prescribed for service of a summons under the Code of Civil procedure, 1908.”

Customs Act, 1969 - Key Amendments

A. Reduction in Customs Duties (CD)

The Bill proposes to reduce Customs Duties on input goods across various industrial sectors covering 92 tariff lines

Sr. No	Proposed Duties	Current Duties	Description
i.	15% & 10%	20%	Specialized construction-related vehicles for construction sector
ii.	10%	15%	If imported by the manufacturers of power coatings subject to annual quota.
iii.	5%	10%	Import by the manufacturers of infant formula milk registered under Sales Tax Act, 1990.
iv.	0%	5%	If Imported by manufacturers of shaving blades, razors, registered under the Sales Tax Act, 1990.

B. Reduction in Customs Duties (CD)

The Bill proposes to reduce Additional Customs Duties rates across multiple tariff lines to ease the cost of imports.

Sr. No	Proposed Duties	Current Duties	Description
i.	4% 2% 0%	6% 4% 2%	Components for assembly/ Manufacturing in any Kit form (CKD) – Localized parts, subject to the conditions mention in SRO 656 (1)/2006 dated 22.06.2006.

C. Reduction in Regulatory Duties (RD)

The Bill proposes to reduce Regulatory Duties across various tariff lines, with high rates capped and lower rates further reduced or eliminated.

Sr. No	Proposed Duties	Current Duties	Description
i.	Upto 20% capped 20% additional reduction Further reduction by 20%	More than 20% 2.5% to 20% 2.5%/ 2%/1%	.Packing materials, raw materials for packing/ bandages and pharmaceutical ingredients.

Other Laws – Amendments

PETROLEUM PRODUCTS LEVY AND CLIMATE SUPPORT LEVY ORDINANCE 1961

Definition of “Company”- Amendment:

The bill proposes to amend sub-section (1) of section (2) of the Petroleum Products Petroleum Levy And Climate Support Levy Ordinance, 1961 thereby amending the definition of Company as follows:

“(1) “company” means an oil marketing company and includes a person engaged in the manufacturing, refining or reclaiming of lubricating oil from used lubricating oil under a license granted by OGRA;”;

Definitions of “Oil Marketing Company” and “OGRA” – New Insertion:

The Bill seeks to insert Section 4E and 4F after the omitted clause 4D. Presently this section is as under:

4E. “Oil Marketing Company” means a company, other than lubricant marketing company, engaged in purchasing or obtaining of petroleum products from refineries or blending plants or through sources abroad for selling, distributing or marketing, directly through his agents or dealers at his dispensing outlets or filling stations;

4F. “OGRA” means the Oil and Gas Regulatory Authority of Pakistan established under the under the Oil and Gas Regulatory Authority Ordinance, 2002 (Ordinance XVII of 2002);”;

Definition of “Refinery” – Amendment:

The bill proposes to amend sub-section (7) of section (2) of the Petroleum Products Petroleum Levy And Climate Support Levy Ordinance, 1961 thereby amending the definition of Refinery as follows:

(7) “refinery” means a facility or industrial plant where crude oil is refined to produce petroleum products.”;

Payment of Petroleum Levy and Climate Support Levy - Substitution:

The bill proposes to amend sub-section (1) of section (3) of the Petroleum Products Petroleum Levy And Climate Support Levy Ordinance, 1961 thereby substituting the Payment of Petroleum Levy and Climate Support Levy as follows:

“(1) The payment of Petroleum Levy and Climate Support Levy shall deemed to be a license condition of every company, refinery or licensee from the date of issue of license by OGRA and such company, refinery or licensee shall pay to the Federal Government, Petroleum levy and Climate Support Levy on petroleum products at such rates as may respectively be notified by the Federal Government in the official Gazette, from time to time.”;

Other Laws – Amendments

Section 3(3) – Omission:

The bill proposes to omit sub-section (3) of section 3 of the Petroleum Products Petroleum Levy And Climate Support Levy Ordinance, 1961:

Before omission the section stated as follows:

“Any amount due and payable under sub-section (1) and not paid within the time allowed by the Federal Government, or any officer authorized by it in that behalf, shall be recoverable as an arrear of land revenue.”

Late Payment Surcharge – New Insertion:

The Bill seeks to insert a new Section 3B and 3C after Section 3A, presently the inserted section is as under:

3B. Late payment surcharge.

Where any amount of the Petroleum Levy and Climate Support Levy are not paid within the prescribed due date i.e. the date of filing of Sales Tax or Federal Excise Returns in case of local production and date of payment of custom duty in case of imported products, the defaulting company, refinery or licensee shall, in addition to the amounts due, be liable to pay late payment surcharge calculated in the manner as specified in sub-section (1) of section 40D of the Public Finance Management Act, 2019.

3C. Recovery of amounts due under this Ordinance:—

(1) Notwithstanding anything contained in the Public Finance Management Act, 2019 and subject to sub-section (2) of this Act, if the Petroleum Levy and Climate Support Levy due or the late payment surcharge are not paid within ninety days, the relevant department responsible for collecting the Petroleum Levy and Climate Support Levy under subsection

(2) of section 3A of this Act, may request the Commissioner (Inland Revenue) to exercise powers of recovery in the same manner as income tax arrears under Part IV of Chapter X of the Income Tax Ordinance, 2001 (XLIX of 2001) or rules made thereunder in this behalf:

Provided that the Commissioner (Inland Revenue) shall have no authority to grant extension of time to the notice of recovery or allow payments of outstanding levies under this Ordinance including late payment surcharge in instalments of equal or varying amounts.

(2) The relevant department under sub-section (2) of section 3A of this Act, as it deems fit and proper, may either, separately or simultaneously, initiate recovery of the Petroleum Levy and Climate Support Levy, or, the late payment surcharge, as the case may be.

(3) Any irregularity or infirmity in the recovery proceedings under this section shall not be grounds of challenge before a tribunal or courts of law.

Other Laws – Amendments

(4) The Commissioner (Inland Revenue) shall be bound to submit a report every fortnight to the divisions concerned to whom subjects of finance and petroleum are allocated under the Rules of Business, 1973 on the progress of recovery proceedings, and failure to recover the amounts due shall be explained in writing.

(5) Prior to commencement of the Finance Act, 2026, where any amount of the Petroleum Levy and Climate Support Levy or the late payment surcharge are due under sections 40B and 40D of the Public Finance Management Act, 2019, it shall be recoverable under this section.”;

Mandatory Reporting Mechanism for Petroleum Levy and Climate Support Levy Payments – New Insertion:

The Bill seeks to insert a new Section 4A after Section 4, presently the inserted section is as under:

4A. Mandatory reporting mechanism for petroleum levy and climate support levy payments.

(1) Every company, refinery or licensee under this Ordinance shall submit monthly statement regarding the payment of the Petroleum Levy and Climate Support Levy on sale of petroleum products. The statement shall be supported by documentary evidence including monthly sales invoice submitted to the Federal Board of Revenue established under the Federal Board of Revenue Act, 2007 (Act No. IV of 2007)

including any other document required by the relevant department from time to time.

(2) Every company, refinery or licensee under this Ordinance shall furnish an annual audited certificate to the Petroleum Division, issued by the Authorized Audit Firm, certifying the accuracy of the levy and or levies accrued and paid under this Ordinance.

Explanation: For purposes of this section, Authorized Audit Firm means an audit firm registered with the Audit Oversight Board under the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

The costs and expenses of such audit shall be borne solely by the relevant company, refinery or licensee.”;

Other Laws – Amendments

Second Schedule - Omission

The Bill seeks to omit The Second Schedule to the Petroleum Products (Petroleum Levy and Climate Support Levy) Ordinance, 1961, which contained the list of companies.

Before Omission the Schedule is as under,

THE SECOND SCHEDULE

List of Companies

1. M/s. Pakistan State Oil Company Ltd.
2. M/s. Caltex Oil (Pakistan) Ltd.
3. M/s. Shell (Pakistan) Ltd.
4. M/s/ Attock Refinery Ltd.
5. M/s. Pakistan Oil-fields Limited, Rawalpindi.
6. M/s. Attock Petroleum Ltd. Islamabad.]
7. M/s. Pakistan Arab Refinery Company Ltd. (PARCO).
8. M/s. TOTAL-PARCO Pakistan Ltd.
9. M/s. Bosiear Pakistan Ltd.]
10. M/s. Admore Gas (Pvt.) Ltd.]
11. M/s. Hascombe Storage (Pvt.) Ltd.
12. M/s. Askar Oil Services (Pvt.) Ltd.
13. Sui Northern Gas Pipelines Limited
- 14 Sui Southern Gas Company Limited

Fourth Schedule - Omission

The Bill seeks to omit Fourth schedule The Petroleum Products Petroleum Levy and Climate Support Levy Ordinance, 1961.

Before Omission the Schedule is as under,

THE FOURTH SCHEDULE

List of Refineries

1. Attock Oil Refinery Ltd., Rawalpindi.
2. Pakistan Refinery Ltd., Karachi.
3. National Refinery Ltd., Karachi.
4. Dhodak Refinery]
5. Pak Arab Refinery Ltd. Muzaffargarh.
6. Bosicar Pakistan Ltd

Contact Us



Lahore

Avais Chambers
1/C - 5, Sikander Malhi Road,
Canal Park, Gulberg II,
Lahore.

T: (042) 3587 2731
(042) 3587 2732 – 33

Karachi

Suite No.711-714,
Progressive Plaza,
Beaumont Road, Karachi
T: (021) 3565 5975-6

Islamabad

1st Floor, Plot# 18/B/1,
Chohan Plaza, G8 Markaz,
Islamabad Capital Territory
T: (051) 234 0490-93

Faisalabad

478-D, Peoples Colony No.
1 Faisalabad
T: (041) 854 1165

Peshawar

Suit # 6, Block-A, 2nd
Floor, Cantonment Plaza,
Fakhr-e-Alam Road,
Peshawar Cantt.
T: (091) 527 8310



Federal Budget

2026-27

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