



Tax Laws (Amendment) Ordinance, 2025

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The Tax Laws (Amendment) Ordinance, 2025

The President of Pakistan has made and promulgated the Tax Laws (Amendment) Ordinance, 2025. The main changes are related to laws of payment of tax and recovery of the tax by officers.

The changes are briefly discussed below:

INCOME TAX

1) Payment of Demanded Tax and Recovery Proceedings:

Section 138 - Recovery of tax out of property and through arrest of taxpayer:

A new sub section 3A has been added by the Tax Laws (Amendment) Ordinance, 2025 has been added.

As a result of this addition, the taxes payable under Income Tax Ordinance, 2001 or any assessment order will be immediately payable in case the issue giving rise to the tax payable is decided by a High Court or Supreme Court of Pakistan even if the demand is stayed by any decision or judgment of any court, forum or authority.

Section 140 - Recovery of tax from persons holding money on behalf of a taxpayer:

A new sub section 6A has been added by the Tax Laws (Amendment) Ordinance, 2025 has been added.

As a result of this addition, the taxes payable under Income Tax Ordinance, 2001 or any assessment order will be immediately recoverable in case the issue giving rise to the tax payable is decided by a High Court or Supreme Court of Pakistan even if the demand is stayed by any decision or judgment of any court, forum or authority. And the officer may recover the amount of the demand from persons holding money on behalf of a taxpayer such as banks etc.

The Motive and Target Taxpayers of these Additions:

It appears that the additions have been made to recover the 50% amount in cases in which the courts have issued the orders to recover only 50% amount such as super tax under section 4C, deemed income tax under section 7E and CVT under section 8 of the Finance Act, 2022.

The second target of these additions seems to be the State-Owned Entities (SOEs) because they do not have the option to file the appeals, and it is mandatory for them to go to Alternative Dispute Resolution (ADR). Currently, the recovery is stayed if SOE applies for ADR and committee is formed by the Chairman of the Federal Board of Revenue. The most possible outcome of these additions seems to be recovery of the huge demands from SOEs as now the Taxation Officers will decide that an issue is already decided by the courts or not in contrast to the previous practice in which the courts decided whether an issue is decided by the High Court or the Supreme Court.

It may be noted that the right of the appeal from SOEs was taken away by Finance Act, 2024 and they also have to withdraw previous appeals and file for ADRC in cases which are pending since years. It may also be noted that after Finance Act, 2024 became effective, various notices have been issued to SOEs even on issues which have already been decided.

Possible Actions against these Amendments:

As these additions has allowed tax officers to unilaterally decide whether an issue is already decided or not and bypass appeal and stay procedures, to direct the taxpayers to pay the demands in number days specified by them in the notices and also to recover the amounts in days specified by them, the addition of these subsections will most probably be challenged in the courts.

2) Section 175C - Posting of Officer of Inland Revenue:

A new section, 175C has been added, and the Board or Chief Commissioner has been empowered to post an Officer of Inland Revenue or such other officials with any designation working under the control of the Board or the Chief Commissioner, to the premises of any person to monitor production, supply of goods, or rendering of or providing of services and the stock of goods not sold at any time.

FEDERAL EXCISE DUTY:

1) Section 26 - Power to seize:

Section 26 empowers the authorities to seize the counterfeited cigarettes or beverages which have been manufactured or produced unlawfully and other dutiable goods on which duty of excise has not been paid.

Vide this amendment, the scope of this section has been increased and now the goods without affixing or affixing counterfeit tax stamps, bar codes, banderoles, stickers, labels or bar codes, as required under section 45A of this Act will also be liable to be seized.

2) Section 27 - Confiscation of goods subject to federal excise duty:

Section 27 empowers the authorities to confiscate and destroy cigarettes and beverages for the reasons of counterfeiting.

Vide this amendment, the scope of this section has been increased and now the goods without affixing or affixing counterfeit tax stamps, bar codes, banderoles, stickers, labels or bar codes, as required under section 45A of this Act will also be liable to confiscation and destroying.

A new sub-section 4, is also added in section 27, now the Federal Board of Revenue, by notification in the official Gazette subject to conditions, may authorize any officer or employee of the Federal or Provincial Government to exercise the powers and perform the functions of the Officer of Inland Revenue under section 26 and sub-section (1) of section 27 in case of goods that are subject to monitoring under section 45A of this Act and counterfeited goods.



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