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Pakistan Budget 2024-25

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Cover Note

Federal Budget, 2024-25 and Finance Bill, 2024 were presented to the National Assembly of Pakistan for approval on June 12, 2024. This memorandum gives a brief overview of the performance of Pakistan's economy during the outgoing fiscal year and significant amendments proposed in fiscal laws by the Finance Bill, 2024. The amendments proposed through the Finance Bill, 2024, are subject to approval by National Assembly and Presidential assent.

This memorandum can also be accessed on https://www.sgc-consult.com.

June 13, 2024

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Part 1: Overview

Part 2: Fiscal laws

SUMMARY

Pakistan faced an imminent economic crisis at the start of fiscal year 2023-2024 FY 24, reflecting the impacts of inadequate macroeconomic management, surging world commodity prices, global monetary tightening, catastrophic flooding in 2022, and political uncertainty.

> Amid high inflation and weak confidence, and with reserves at dangerously low levels, the International Monetary Fund (IMF) approved a new Stand-By Arrangement (SBA) program in July 2023.

Steadfast implementation of the program during FY 24 through continued fiscal restraint, energy tariff adjustments, and the continued high policy rate enabled new official external inflows early in the fiscal year, allowing a loosening of import management measures.

The economic journey in the ongoing FY 24 has been optimistic. Economic growth is showing signs of recovery while inflation is trending downward. Both fiscal and external sectors have demonstrated resilience. The market confidence is also upbeat, reflected in the notable performances of Pakistan Stock Exchange (PSX). The economy is on a resilient track to achieve modest growth this year, setting the basis for better performance in the upcoming fiscal year.

In the real sector, agriculture emerged as a main driver of economic growth in the current fiscal year, registering growth of 8.6 and 5.0 percent in Q1 and Q2. The Large Scale Manufacturing (LSM) observed a marginal decline of 0.5 percent during Jul-Feb FY2024 against a contraction of 4 percent last year.

PERFORMANCE OF PAKISTAN`S ECONOMY - CONTD

On the external front, the current account posted a deficit of USD 0.5 billion for Jul-Mar, a substantial reduction of USD 4.1 billion last year. The improvement is reflective of a sizable reduction in the trade deficit. In March 2024, the current account posted a surplus of USD 619 million against USD 98 million in February 2024. The remittances observed an outstanding YoY growth of 16.4 percent in March 2024 (USD 3.0 billion) as compared to March 2023 (USD 2.5 billion). Total foreign investment during Jul-Mar recorded an inflow of USD 1264 million as against an inflow of USD 202.2 million last year. SBP has maintained the policy rate at 22 percent since July 2024 till to date.

The estimated provisional growth rate of gross domestic product (GDP) for FY 24 is 2.38 percent as indicated by Pakistan Bureau of Statistics. That compares with a revised 0.21 percent economic contraction in the FY 23. However, the world bank, international monetary fund (IMF), and State Bank of Pakistan has projected real GDP growth at 1.8 percent, 2.0 percent, and 2-3 percent respectively. The broad based but still nascent recovery is inadequate to reduce the poverty rate expected to stagnate at current high levels of around 40%.

> Overall, there are visible signs of moderate recovery in macroeconomic conditions. To maintain positive momentum, it is imperative to continue prudent policy efforts and reforms.

Agriculture

In the real sector, agriculture emerged as a main driver of economic growth in the current fiscal year, registering growth of 8.6 percent and 5 percent in Q1 and Q2. The agriculture sector's recovery is mainly attributed to government initiatives through improved input supply and increased credit disbursement to farmers. The input situation remained encouraging as farm tractor production and sales increased by 59.7 percent and 65.8 percent. Whereas a 33.6 percent surge was observed in agricultural credit disbursement during Jul-Feb. The sector witnessed an exceptional increase in the production of major crops; cotton production doubled; rice grew by 34.8 percent; maize increased by 5.6 percent.

Manufacturing

The Large-Scale Manufacturing (LSM) observed a marginal decline of 0.5 percent during Jul-Feb against a contraction of 4 percent same period last year. At the sub-sector level, a mixed trend has been observed. During Jul-Feb, 11 out of 22 sectors witnessed growth which includes, Food, Beverages, Wearing apparel, Leather, Wood products, Coke & Petroleum Products, Chemicals, Pharmaceuticals, Rubber Products, Machinery & Equipment, and Furniture.

Services

In fiscal year 2024, the services sector demonstrated resilience with a growth of 1.21%. The transport and communication sector contributed 20.51% to the country's GDP, comprising 23.0% of the services sector.

Inflation

March 2024 marked the third consecutive decline in CPI inflation YoY basis, inflation descended from 35.4 percent to 20.7 percent YoY basis, reflecting the lowest inflation after 18 months. A steady decline was observed in the third quarter. During Jul-Mar, CPI stood at 27.1 percent against 27.3 percent in the same period last year.

Monetary Sector

During 1 July – 29 March, (FY) 24 money supply (M2) grew by 5.9 percent (Rs 1846.2 billion) compared to 4.4 percent (Rs 1211.5 billion) last year. Within M2, Net Foreign Assets (NFA) increased by Rs 531.2 billion as compared to a decrease of Rs 2073.0 billion last year. Net Domestic Assets (NDA) of the banking sector increased by Rs 1315.0 billion as compared to an increase of Rs 3284.5 billion last year. The private sector has borrowed Rs 191.5 billion as compared to the borrowing of Rs 299.5 billion last year.

External Sector

The current account posted a deficit of USD 0.5 billion for Jul-Mar as against a deficit of USD 4.1 billion last year, largely reflecting an improvement in trade balance. In March 2024 current account posted a surplus of USD 619 million as against a surplus of USD 537 million the same month last year. Exports (fob) increased by 9.3 percent and reached USD 23.0 billion (USD 21.1 billion last year). Imports (fob) declined by 8 percent reaching USD 38.8 billion (USD 42.1 billion last year). Resultantly, the trade deficit narrowed down by 25.2 percent recorded at USD 15.7 billion as against USD 21.1 billion last year.

Foreign Investment

Total foreign investment during Jul-Mar recorded an inflow of USD 1264.0 million as against an inflow of USD 202.2 million last year. FDI stood at USD 1099.0 million (USD 1216.9 million last year) decreasing by 9.7 percent. In March 2024, FDI witnessed an increase of 89.4 percent to USD 258.0 million as against an inflow of USD 136.3 million last month.

Workers' Remittances

The workers' remittances received during Jul-Apr FY 24 were recorded at USD 23.8 billion as against USD 23.0 billion last year, which depicts an increase of 3.5 percent over the corresponding period, YoY remittances increased by 27.9 percent in April 2024 (USD 2.8 billion) as compared to April 2023 (USD 2.2 billion).

Foreign Exchange Reserves

Pakistan's total liquid foreign exchange reserves increased to USD 14.3 billion as of May 24, 2024, with SBP's reserves at USD 9.1 billion and Commercial banks' reserves at USD 5.2 billion.

Performance of Pakistan Stock Exchange

The Pakistan Stock Exchange (PSX) registered a notable performance in April 2024. The benchmark of PSX, the KSE-100 index gained 4,097 points in April 2024 and closed at 71,103 points as of the end 30th April 2024. Similarly, the market capitalization of PSX increased by Rs 300 billion to settle at Rs 9,747 billion, without any significant improvement in the economic parameters. The performance of major world stock market indices also showed an encouraging trend in March 2024.

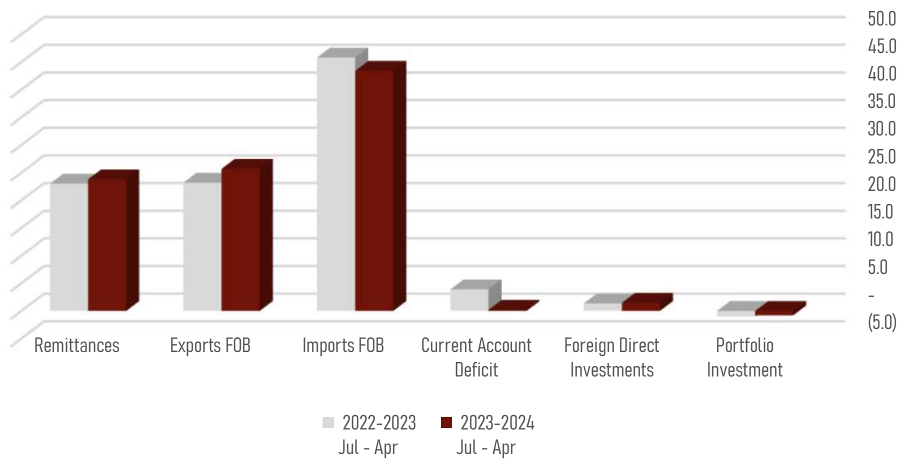
Fiscal

On the fiscal front, the primary balance posted a surplus of Rs 1834 billion during Jul-Feb against Rs 780.5 billion last year. The net federal revenues witnessed a substantial growth of 51 percent on the back of significant growth in both tax and non-tax collection. Tax collection grew by 30 percent, exceeding monthly as well as 9month targets. However, total expenditures remained under pressure due to higher mark-up payments slightly raising fiscal deficit to 3 percent of GDP as compared to 2.8 percent last year.

ECONOMIC SNAPSHOT

External Sector ($ billion)	2022-2023 Jul - Apr	2023-2024 Jul - Apr
Remittances	23.0	23.8
Exports FOB	23.2	25.7
Imports FOB	45.8	43.4
Current Account Deficit	3.9	0.2
Foreign Direct Investments	1.35	1.46
Portfolio Investment	(1.0074)	(0.799)

External Sectors



Financial Sector (Rs Billion)	2022-2023 Jul - Mar	2023-2024 Jul -Mar
FBR Revenue (Jul-Apr)	5,638.0	7,362.0
Non-Tax Revenue (Federal)	1,241.0	2,417.0
PSDP (Federal)	329.0	322.0
Fiscal Deficit	3,079.0	3,902.0
Primary Balance	503.8	1,615.4

Forex Reserves ($ Billion)	Total	9.435	14.316
	SBP	3.972	9.095
	Banks	9.095	5.221

MEDIUM-TERM OUTLOOK

External financing constraints expected to impede recovery amid absence of major reforms and persistent trade deficit

In the absence of major and sustained economic reforms, Pakistan is expected to continue to face foreign exchange liquidity issues due to the persistent trade deficit and limited access to external financing, especially from the private sector. Even with the recent successful completion of the IMF-SBA40 and continued rollovers, reserves are projected to remain low, hovering around 1.3 months of total imports over FY24–26. Continued import management measures and tight monetary and fiscal policies are expected to disrupt domestic supply chains and mute aggregate consumption and investment. In the absence of an ambitious and credible economic reform plan, confidence and investment are likely to remain muted, with real GDP projected to grow at 1.8 percent in FY24 (World Bank). As confidence improves with the expected implementation of a new IMF program, output growth is expected to gradually recover to an average of 2.5 percent over FY25 and FY26 but remaining below potential in the medium term.

Pakistan's growth prospects are expected to remain constrained over the medium term

Reflecting a recovery from the 2022 floods in FY23, agricultural output was expected to grow rapidly by 3 percent in FY24, largely supported by a higher estimated output of major crops, particularly of cotton and rice. The agriculture sector is expected to grow at an average of 2.5 percent over FY25–26. With easing import management measures and spillovers from strong agriculture performance, industry is expected to recover, growing at 1.8 percent in FY24. Despite improved confidence, the growth of the industrial sector is projected to remain muted at an average of 2.3 percent over the medium term, mainly due to tight macroeconomic policies and continued import management measures. With spillover from the recovery in the agriculture and industry sectors, the services sector is expected to grow marginally at 1.2 percent in FY24. As inflationary pressures ease, the growth of the services sector is expected to strengthen over the medium term to an average of 2.7 percent over FY25–26.

Tight policy and import management measures will drag on aggregate demand in the near term

Growth in private consumption is projected to decline to 1.7 percent in FY24, due in part to erosion in real incomes because of high inflation and in part to administrative measures, including the import management measures. As inflationary pressures dissipate, private consumption is expected to grow at an average rate of 2.3 percent over FY25–26. Total investment is expected to further contract in FY24, reflecting policy uncertainty, tight macroeconomic policy, and the high cost of borrowing, before gradually recovering in FY25–26. Constrained by high interest expenditures, government consumption is projected to grow marginally in FY24.

MEDIUM-TERM OUTLOOK

Inflation is expected to remain elevated in FY24 due to higher domestic energy prices	The CAD is expected to remain low as import management measures continue	The fiscal deficit is expected to increase in FY24 due to higher debt servicing
Consumer price inflation is projected to remain elevated at 26 percent in FY24. The increase in prices is driven by domestic gas, electricity, and fuel tariff adjustments resulting in significant increase in domestic energy prices. In view of the persistently high inflationary pressures, the SBP is expected to maintain a tight monetary policy stance in FY24. Inflation will gradually moderate in FY25-26 due to a high base effect and as global commodity prices ease.	Imports growth is expected to be muted reflecting weak domestic demand and continued import management measures aimed at preserving the scarce foreign reserves. As a result, the CAD is expected to remain low at 0.7 percent of GDP in FY24 and to further narrow to 0.6 percent of GDP in FY25 and FY26. Pakistan's external financing needs will remain significant throughout the projection period, due to IMF repayments and maturing Eurobonds. Despite a low CAD, the reserve position is therefore projected to further weaken, reflecting limited external financing.	The fiscal deficit is projected to increase to 8 percent of GDP in FY24 due to higher interest payments but to gradually decline over the medium term as interest payments decrease over time and fiscal consolidation and revenue mobilization measures take hold. Meanwhile, the primary deficit is expected to narrow to 0.1 percent of GDP in FY24 reflecting fiscal consolidation measures, before slightly growing to 0.3 percent of GDP in FY25-26. The continuation of bold fiscal consolidation measures over the medium term is necessary to restore fiscal and debt sustainability.

Source: Ministry of Finance, World Bank, International Monetary Fund, State Bank of Pakistan, Pakistan Stock Exchange

BUDGET AT A GLANCE

	Budget Estimates (Rupees in Billion) Budget 2024-25	Revised 2023-24
Tax revenue	12,970	9,252
Non-Tax revenue	4,845	2,947
Gross Revenue	**17,815**	**12,199**
Less: Provincial share	(7,438)	(5,427)
Net Revenue	**10,377**	**6,772**
Expenditure	(18,877)	(15,160)
Budget deficit	(8,500)	(8,388)
Funded by:		
Net domestic & external financing	8,470	8,373
Privatization proceeds	30	15
	8,500	8,388

	Budget Estimates (Rupees in billion) Budget 2024-25	Revised 2023-24
Direct Taxes:		
Income tax	5,454	3,682
Capital value tax, WWF, WPPF	58	39
Total Direct Taxes	**5,512**	**3,721**
Indirect Taxes:		
Custom duties	1,591	1,324
Sales tax	4,919	3,607
Federal excise	948	600
Total Indirect Taxes	**7,458**	**5,531**
Total Taxes	12,970	9,252

INCOME TAX – KEY AMENDMENTS

FINAL TAX REGIME FOR EXPORTS WITHDRAWN

Direct and Indirect exporters were subjected to one percent of final tax on their exports for the last three decades. The one percent tax collection from the proceeds of exports is now minimum tax and income form such activity is brought under normal tax regime.

BEST JUDGMENT ASSESSMENT

The Commissioner is now empowered to issue best judgement assessment where the business has been discontinued but a notice of discontinuance of business was not submitted to the tax department. Penalties and prosecution have been introduced where a person fails to furnish a return required upon discontinuance of business.

REVISION BY THE COMMISSIONER

Through Tax Laws (Amendment) Act 2024 the commissioner was authorized to call for the record of any proceedings of an order passed by an officer of inland revenue where the value of assessment, or refund of tax does not exceed 20 million, is now withdrawn.

RESTRICTION ON TAX CREDIT FOR COAL MINING PROJECTS

Tax Credit available to coal mining projects in Sindh supplying exclusively to power generation has been restricted to the extent of income generated from such Projects.

MEMBERS OF AOP HAVING SPECIFIED TURNOVER

Members of AOP were not required to pay tax on their share of income from such AOP. Such exemption has been withdrawn for member of associate of persons having turnover of three hundred million or above, if audited financial statements have not been filed along with return of income of the AOP.

RESTRICTION ON CLAIM OF PROMOTIONAL EXPENSES

Companies paying royalty to its associates in the current or preceding two tax years shall be disallowed 25 percent of the total expenditure for the tax year 2024 and onwards relating to sales promotion, advertisement and publicity.

INCOME TAX – KEY AMENDMENTS

Enforcing filing of returns

The FBR is given further powers to restrict foreign travel excluding persons holding NICOP, minors, students and such other persons as may be notified in respect of persons, who are not appearing on active taxpayers list but are liable to file income tax returns.

In case persons issued instructions by FBR to implement these restrictions, failed to comply with the instructions shall be subject to a penalty of Rs 100 million for the first default and Rs 200 million for the subsequent defaults.

Advance payment of tax

In case of downward estimate of advance tax, the taxpayer is now required to provide estimate of turnover for the completed quarters, and the remaining quarters, supported by evidence of expenses or deductions, tax payments and tax credits along with computation of taxable income. However, the Commissioner is empowered to reject such an estimate if the documents and details are not provided by the taxpayer.

Rate of default surcharge

Default surcharge of 12 percent is replaced with KIBOR + 3 percent.

Pecuniary jurisdiction in appeals

The limits of pecuniary jurisdiction provided through Tax Laws (Amendment) Act, 2024 whereby the appeal against assessment of tax or refund did not exceed 20 million is to be filed with the Commissioner (Appeals) and the appeals against the orders exceeding the limits are to be filed with the Appellate Tribunal Inland Revenue.

It is now clarified that the value of assessment would mean the net increase in tax liability and the value of refund means the net reduction in refund as a consequence of the order sought to be assailed.

The date of transfer of appeals from Commissioner (Appeals) shall now be transferred from September 16, 2024, instead of June 16, 2024.

Advance tax on sales

Every manufacturer or commercial importer is now made responsible to collect advance tax on sales regardless of specified sectors on sales to distributors, dealer, wholesalers and retailers.

INCOME TAX – KEY AMENDMENTS

Imports

The board is empowered to determine minimum value of goods imported for the purposes of collection of advance tax at import stage other than goods on which sales tax is levied at retail price.

Exemption Certificates to residents and non-residents

Power of tax authorities to issue exemption certificates from withholding of tax is withdrawn and they can now instead issue reduced rate certificate. Although reduced rate can be zero percent but is not prescribed. However, this proposed amendment would create hardship for entities exempt from levy of income tax and would be forced to go through the tax refund process which will also impact their cashflows.

It is therefore proposed that a zero percent tax rate be prescribed for entities exempt from levy of tax to remove confusion.

Exemption FATA / PATA

Exemption from levy of income tax on income generated in FATA / PATA has been extended for 1 year.

Small traders and shop keepers

Traders and shop keepers who are required to apply for registration under special procedure prescribed by FBR, if fails to register or pay advance tax shall be exposed to sealing of their shop for 7 days for the first default, 21 days for each subsequent default and to the prosecution.

Penalty for incomplete filing

Companies (including Banking Company) and association of persons would be liable to pay penalty of Rs 500,000 or 10 percent of the tax chargeable, which ever is higher, and exposed to prosecution if they fail to provide the prescribed information and furnish other prescribed documents.

Carry forward of business Loss of PIA

Business Loss incurred by PIA post January 2017 have been allowed to be carried forward for a period of ten years as opposed to six years.

Subsidiary

Government subsidy which was previously exempt from levy of income tax under the second schedule has been withdrawn.

Late filers

The persons who are active taxpayers but fail to file their income tax returns by the due date or extended due date are equated with non-active taxpayers.

INCOME TAX – KEY AMENDMENTS

Definition of the term "board"

The definition of board has been expanded to include member of the Federal Board of Revenue to whom powers of the Board have been delegated under section 8 of the Federal Board of Revenue Act, 2007.

Dividend

Tax on dividend received from mutual funds deriving 50 percent or more income from profit on debt is increased from 15 percent to 25 percent.

Registration of motor vehicle

Rate of tax for registration of motor vehicles is as follow:

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

Advance tax on shares

Advance tax on acquisition of shares against amount paid or payable as consideration for shares is required to be deposited with the government treasury at the earlier of, time of payment or registration of shares by the Securities and Exchange Commission of Pakistan or by the State Bank of Pakistan.

Incase of failure to make payment of tax the person shall be liable to a penalty 50 percent of the amount of tax involved.

Capital gains on shares

Relevant rates for capital gains on securities are provided in the next slide.

INCOME TAX – KEY AMENDMENTS

Capital Gains on Disposal of Securities

Sr. No.	Holding Period	Rate of Tax on disposal of securities (1st day of July, 2022 and 30th June, 2024)	Rate of Tax on disposal of securities acquired on or after 1st day of July, 2024
1	Where the holding period does not exceed one year	15%	15% for persons appearing on the Active Taxpayers' List on the date of acquisition and the date of disposal of securities and at the rate specified in Division I for individuals and association of persons and Division II for companies in respect of persons not appearing on the Active Taxpayers' List on the date of acquisition and date of disposal of securities: Provided that the rate of tax for individuals and association of persons not appearing on the Active Taxpayers' List, the rate of tax shall not be less than 15% in any case.
2	Where the holding period exceeds one year but does not exceed two years	12.5%	
3	Where the holding period exceeds two years but does not exceed three years	10%	
4	Where the holding period exceeds three years but does not exceed four years	7.5%	
5	Where the holding Period exceeds four years but does not exceed five years	5%	
6	Where the holding period exceeds five years but does not exceed six years	2.5%	
7	Where the holding period exceeds six years	0%	
8	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	5%

Provided that for securities except at S. No. 8 of the Table– (i) the rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or after the first day of July, 2013 but on or before the 30th day of June, 2022; and (ii) the rate of 0% tax shall be charged on capital gain arising on disposal where the securities are acquired before the first day of July, 2013:

INCOME TAX – KEY AMENDMENTS

Capital Gains on Disposal of Securities

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

- Individual and association of Persons - 15% for stock funds or other funds
- Company - 15% for stock funds and 25% for other funds

Provided also that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 20%
Provided also that no capital gain shall be deducted, if the holding period of the security acquired on or before 30th day of June 2024 is more than six years.

Capital Gains on immovable property

The existing regime of taxation of capital gains on disposal of immoveable property, based on holding period, would continue for properties acquired before June 30, 2024. However, gain on disposal of properties acquired after that date would be subject to tax at following rates.

S. No.	Holding Period	Rate of Tax on properties acquired on or before 30th day of June, 2024			Rate of Tax on properties acquired on or after 1st day of July, 2024
		Open Plots	Constructed Property	Flats	
1.	Where The holding Period does not Exceed one year	15%	15%	15%	15% for Persons appearing on The Active Taxpayers' List on date of disposal of property and at The rates specified in Division I for individuals and association of persons and Division II for companies in respect of persons not appearing on the Active Taxpayers' List on the date of disposal of property: Provided that the rate of tax for individuals and association of persons not appearing on the Active Taxpayers' List on the date of disposal, the rate of tax shall not be less than 15% of the gain.";
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5%	
3.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0%	
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%		
5.	Where the holding period exceeds four years but does not exceed five years	5%	0%		
6.	Where the holding period exceeds five years but does not exceed six years	2.5%			
7.	Where the holding period exceeds six years	0%			

INCOME TAX – KEY AMENDMENTS

TAX SLABS FOR NON- SALARIED INDIVIDUALS AND AOP

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

TAX SLABS FOR SALARIED INDIVIDUALS

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

INCOME TAX – KEY AMENDMENTS

Revised rates for filers

Advance tax on purchase of immovable property – 236K		
S. No.	Amount	Tax Rate
1	Where the fair market value does not exceed Rs. 50 million	3%
2	Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%
3	Where the gross amount of the consideration received exceeds Rs. 100 million	4%

Advance tax on transfer of immovable property – 236C		
S. No.	Amount	Tax Rate
1	Where the gross amount of the consideration received does not exceed Rs. 50 million	3%
2	Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%
3	Where the gross amount of the consideration received exceeds Rs. 100 million	4%"

Revised rates for non-filers

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

S. No.	Fair Market Value of Immovable Property – 236K	Tax Rate
1	Where the fair market value does not exceed Rs. 50 million	12%
2	Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million	16%
3	Where the fair market value exceeds Rs. 100 million	20%

Revised rates for late filers

Sr. No.	Gross Amount of Consideration Received – 236 C	Tax Rate
1	Where the gross amount of consideration received does not exceed Rs. 50 million	6%
2	Where the gross amount of consideration received exceeds Rs. 50 million but does not exceed Rs. 100 million	7%
3	Where the gross amount of consideration received exceeds Rs. 100 million	8%

Sr. No.	Fair Market Value of Immovable Property – 236K	Tax Rate
1	Where the gross amount of consideration received does not exceed Rs. 50 million	6%
2	Where the gross amount of consideration received exceeds Rs. 50 million but does not exceed Rs. 100 million	7%
3	Where the gross amount of consideration received exceeds Rs. 100 million	8%

APPELLATE STRUCTURE

Through the Tax Laws (Amendment) Act, 2024 ("TLAA"), the entire appellate structure prescribed under Income Tax ordinance, 2001 has been revamped. It created confusion and hardship for the taxpayers. With few amendments proposed the appellate structure now stands as follows:

- Taxpayers are deprived of one appellate forum
- The assessment orders creating net increase in tax liability or net reduction in tax refunds not exceeding Rupees ten million, is now appealable before the Commissioner Inland Revenue (Appeals) {"CIR (A)}
- The assessment orders creating net increase in tax liability or net reduction in tax refunds exceeding Rupees ten million, is now appealable before the Appellate Tribunal Inland Revenue ("ATIR"), instead of CIR (A)
- All cases pending before the CIR (A) exceeding tax liability or net reduction in tax refunds of Rupees ten million as of September 16, 2024, shall stand transferred to ATIR
- Assessment orders and Appellate orders received before May 3, 2024 shall have the same time limitation for filing of appeal as applicable prior to the introduction of TLAA.
- The taxpayer aggrieved by an order of the CIR (A) can file reference to the High Court instead of filing appeal before ATIR
- Practicing members of the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan with ten years of experience are now again made eligible to be appointed as the members of ATIR
- The distinction between the Accountant Member and the Judicial Member is removed and even two members deputed by the Federal Board of Revenue ("FBR") can form a Divisional Bench, thus substantially impairing the independence of ATIR
- It is now mandatory for State Owned Enterprises (SOEs), as defined in State Owned Enterprises (Governance and Operations) Act, 2023, with tax liability of Rupees fifty million or above, to file applications for the constitution of Alternate Dispute Resolution Committee ("ADRC") for resolution of their disputes and withdrawn all pending appeals and references. This can substantially impact the rights of the shareholders of SOEs, other than the Government. In case the dispute is not settled by ADRC within sixty days, the ADRC is dissolved and the Court of Law and ADRC shall be required to decide the appeals within ninety days

APPELLATE STRUCTURE

- ATIR is required to decide the appeals pending as of May 3, 2024, within 180 days and the appeals transferred from CIR (A) within 90 days and can also obtain extension of 90 days from the Ministry of Law and Justice. However, no resolution is provided in case the appeal is not decided within the prescribed timeline, therefore in terms of the pronouncements of appellate forums, this is a directional provision and not a mandatory provision
- Procedure for hearing of appeal before ATIR is also prescribed
- Minimum mandatory payment of not less than Rupees fifty thousand is prescribed in case adjourned is sought from ATIR without any compelling reason
- ATIR is now not the final appellate forum to decide matter of facts. Mixed questions of law and facts can now be referred to the High Court, thus converting the High Court to a trail court. This has impacted the basic gist of appellate structure whereby accountants, who are more familiar with the facts can assist the appellate forum are now restricted, and therefore substantially effected the rights of a taxpayer
- High Courts are now directed to decide the reference within six months by constituting two-member special benches
- High Courts can allow stay of recovery on payment of not less than thirty percent of the tax determined by the ATIR. This provision is likely to be challenged and stuck down by the Courts
- Appeals to CIR (A), ATIR and reference to the High Court are required to be filed within thirty days
- Appeal fee has been enhanced and fixed as follows:

ATIR	Company cases	Rs. 20,000
	Other than company cases	Rs. 5,000
High Court	All cases	Rs. 50,000

APPELLATE STRUCTURE

It was expected that Finance Bill, 2024 would address several anomalies in the amendments introduced by Tax Laws (Amendment) Act, 2024 including depriving taxpayers of one appellate forum, which is their vested rights. However, unfortunately, the anomalies remained unresolved.

Several contradictory judgments were issued by different benches of ATIR and the High Court, since the promulgation of Tax Laws (Amendment) Act, 2024.

In case the anomalies and contradictions are not removed, in the finalized Finance Act, 2024, the entire appellate structure is exposed to long drawn litigation which can further complicate the situation and the taxpayer would suffer in the meanwhile and would be deprived of resolution of their disputes by independent forums and on merit.

The main issue of quality assessment remained unaddressed.

The amendments were introduced to resolve the tax disputes at the earliest and ensure quick recovery of tax demands. However, it is expected that all cases would now be complied at the High Courts level and taxpayers' confidence on the system would further erode.

These amendments has the potential to adversely effect the entire taxation structure.

SALES TAX – KEY AMENDMENTS

Pharmaceutical Products

Pharmaceutical Products identified in chapter 30 of the customs tariff at present subjected to reduced rate of sales tax at one percent are now chargeable to sales tax at the standard rate of 18 percent.

Charitable hospitals

Certain goods supplied fifty beds or more and goods imported by hospitals rune by non-profit organization were exempt from levy of sales tax. Such exemptions are withdrawn. This would adversely impact the running, maintaining and establishment of charitable hospitals.

Definitions

The definitions of “associates (associated persons)” and “Board” have been substituted and made consistent with the definitions provided in the Ordinance.

Concept of “licensed integrator” has been introduced. Such person would be licensed by the Board to provide electronic invoicing system for integration of registered persons. Rules in this behalf are yet to be prescribed. Corresponding amendments have also been made in earlier provisions relating to real time reporting of sales. Investigative audit and tax fraud Concept of investigative audit has been introduced whereby tax authorities based on the audit or otherwise initiate investigative audit proceedings against registered persons suspected to be involved in tax fraud.

The scope of the term “tax fraud” has been largely enhanced inter alia to include the following:

- suppression of sales or receipts that are chargeable to tax
- false claim of input tax credit
- making taxable supplies of goods without issuing any tax invoice, in violation of the provisions of the Act
- issuance of any tax invoice without supply of goods leading to inadmissible claim of input tax credit or refund
- evasion of tax by availing undue input tax credit or obtaining inadmissible refund by any means or methods other than that covered above
- collection of any amount as tax but failing to deposit the same in the prescribed manner beyond a period of three months from due date of payment of tax

SALES TAX – KEY AMENDMENTS

- falsification or substitution of financial records or production of fake accounts or documents or furnishing of any false information through human, mechanical or electronic means with an intention to evade tax due or claim inadmissible refund

- Tampering with or destroying of any material evidence or documents required to be maintained under the Act or the rules made thereunder through human or digital means

- Acquisition, possession, transportation, disposal or in any way removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner dealing with, any goods in respect of which there are reasons to believe that these are liable to confiscation under the Act, or the rules made thereunder.

The aforesaid acts or omissions shall be treated as intentional unless the accused himself proves that he had no intention, motive, knowledge, or reason to believe that he was committing a tax fraud.

Time of supply

Concept of time of payment of consideration introduced through Finance Act 2013 was a considered factor to determine time of supply, which was subsequently omitted through Finance Act 2021. Amendments have been made to reintroduced this factor in the scope of "time of supply". Time of supply shall now be determined at the supply or receipt of payment whichever is earlier.

Assessment and recovery of tax

Major structural changes have been made in the machinery provisions regarding assessment and recovery of tax. Earlier section 11 on "assessment and recovery of tax not levied or short levied or erroneously refunded" has effectively been substituted by a new section 11E.

Concept of "best judgment assessment" has been introduced in respect of persons failing to:

- furnish sales tax return or produce information upon notice; or
- produce accounts, documents and records or any relevant document or evidence that may be required by him

However, subsequent filing of sales tax return would render order of best judgement assessment abate. Appeal effect proceedings have now been made consistent with the provisions of the Ordinance.

Blacklisting

Blacklisting is now subjected to the issuance of order by the Commissioner. The Chief Commissioner has been empowered to modify such order after providing an opportunity of being heard to the registered person. However, the appeal provisions do not indicate admissibility of any appeal/reference against these provisions do not indicate admissibility of any appeal/reference against these orders before the Commissioner Appeals, Appellate Tribunal Inland Revenue or the High Court. Absence of adequate remedies are likely to affect the right of fair trial under the Constitution and therefore these amendments are likely to be challenged before the higher judiciary.

Audit

Audit provisions have been substituted to include the following new salient features:

- the Commissioner is now required to record and communicate to the registered person the reasons to conduct audit proceedings
- such reasons are required to be based on scrutiny of available record including sales tax/federal excise/income tax returns, withholding statements or financial statements, third party information etc.
- audit proceedings cannot be initiated for mere verification of input tax, output tax, refund claim and compliance of legal provisions without identifying risk factors
- officer conducting audit is now empowered to obtain duly attested hard copies of electronic information or data kept by a registered person
- audit officer is also empowered to conduct or cause to be conducted such enquiry and obtain such information from any third party as he considers
- failure to produce audit information by the registered person can lead to best judgment assessment
- if audit officer suspects involvement of registered person in tax fraud, he may with the approval of the Commissioner, conduct investigative audit

Notice to file sales tax return

The officer of Inland Revenue is now empowered to require any person who in his opinion has failed to file sales tax return for a particular tax period(s), to file returns. However, this power can only be exercised within the following period from the end of financial year in which the said return was to be filed:
- fifteen years in case of tax fraud; and
- five years in all other cases.

Notice to file sales tax return

Earlier, the Board mandated electronic invoicing for specific sectors via relevant SROs. Now, there's a proposal to implement these provisions into the law. Additionally, the idea of a 'licensed integrator' is brought in, where only individuals licensed by the Board can offer electronic invoicing systems for integrating registered entities.

SALES TAX – KEY AMENDMENTS

Penalties

Offence	Financial Penalty	Conviction of imprisonment by Special Judge	
Tax fraud	Higher of Rs. 25,000 or 100 percent of tax evasion	5 years - for tax evasion ≤ Rs. 1 billion. (note)	10 years - for tax evasion ≥ to Rs. 1 billion.
Failure by licensed integrator to integrate registered persons	Higher of Rs. 1 million or 1 percent of the value of suppressed sales	------blank-----	

Note - The figure of Rs. 500 million in the penal provisions is redundant due to mathematical error.

Various procedural amendments have been made in the penal provisions relating to counterfeited tax markings, failure to integrate with Board's computerize system, printing of retail price, violation of provisions relating to goods supplied from tax exempt areas.

Default surcharge

Fixed rate of default surcharge of 12 percent has been substituted with floating rate of KIBOR plus 3 percent for cases other than tax fraud.

Monitoring or tracking by electronic or other means

The Board has been empowered to require any person or class of persons to integrate their electronic invoicing system with the Board's computerized system for real time reporting of sales.
The obligations of licensed integrator are also defined.

Compliance of payment though banking channel

A slight but significant change has been made in section 73. Earlier the compliance threshold for payments to be made though banking channel by the buyer was *Rupees 50,000 for a transaction*. A clarificatory change has been made in this threshold and the new threshold is *Rs. 50,000 in aggregate for a transaction*. This subtle but important amendment is likely to prevent misuse of the earlier threshold which was generally performed through series of smaller payments for a particular transaction/purchase.

SALES TAX – KEY AMENDMENTS

Sales tax on retail price - Third schedule

DAP is now subject to 18 percent sales tax of the retail price.

Zero rating withdrawn – Fifth schedule

Zero rating on the following has been withdrawn:

- Preparations suitable for infants, put up for retail sale not exceeding rupees five hundred per two hundred grams (PCT Heading 1901.1000)
- Milk (PCT heading 04.01)
- Fat filled milk (PCT heading 1901.9090)
- Local supplies of commodities, raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme 2021 notified by the Board with such conditions, limitations and restrictions as specified therein
- Raw material, packing material and spares for manufacturing of certain stationery items.

Exemptions withdrawn – Sixth Schedule

Following unconditional/conditional sales tax exemptions on import or local supplies of following items are no longer available:

- Edible vegetables imported from Afghanistan including roots and tubers, except ware potato and onions, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned
- Fruit imported from Afghanistan excluding apples PCT 0808.1000
- Newsprint and books but excluding brochures, leaflets and directories
- Certain stationery
- Medical equipment earlier specified in serial number 112 and 120.
- Supplies and imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas. The rate of sales tax on such supplies will be 6 percent from July 01, 2024 till June 30, 2025 and will be 12% from July 01, 2025 onwards.
- Supplies of electricity to tribal areas
- Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.
- Oil cake and other solid residues
- Tractor
- Machinery and equipment as listed at serial number 32 of the Table of Part-I of Fifth Schedule to the Customs Act, 1969 (IV of 1969), subject to the conditions, limitations and restrictions specified thereunder.
- Goods imported by hospitals run by non-profit making institutions earlier specified in serial number 165

SALES TAX – KEY AMENDMENTS

- Following sales tax exemptions to the extent of local supplies only of the following items are no longer available:
- Vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers.
- Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal

New exemptions – Sixth Schedule

Following unconditional/conditional sales tax exemptions on import or local supplies of following items have been introduced:

- Import of all goods received, in the event of a natural disaster or other catastrophe, as gifts and relief consignments or any goods received as gift or donation from a foreign government or organization by the Federal or Provincial Governments or any public sector organization.
- MS (Petrol), High Speed Diesel Oil, Kerosene and Light Diesel Oil
- Following sales tax exemptions to the extent of local supplies only of the following items have been introduced:
- Milk excluding that sold under a brand name
- Iron and steel scarp

Reduced rate - Eighth Schedule

Reduced sales tax rates on the following items are no longer available:

- LPG
- Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales
- Locally manufactured Hybrid electric vehicle

Reduced rate of five percent earlier available on personal computers and laptop computers, notebooks is enhanced to ten percent. on imports.

Reduced rate of one percent earlier available under serial number 81 on medicaments (except for certain items) as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969), is no longer available.

Certain stationery items are now subjected to reduced rate of 10 percent.

- Sales tax exemption earlier available on following items is now subject to reduced rating with conditions:
- supplies and imports of plant, machinery, equipment for installation in tribal areas

SALES TAX – KEY AMENDMENTS

- supplies of electricity, as made to all residential and commercial consumers in tribal areas
- oil cake and other solid residue
- Tractors
- Local supply of vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers.

Reduced rate of 10 percent on following items is now available subject to conditions:

- Local supply of poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal
- Newsprint and books but excluding brochures, leaflets and directories

Appellate structure

The structure for filing and disposal of appeals has been revamped through Tax Laws (Amendment) Act, 2024. Please refer to a comprehensive note in income tax section, except that the pecuniary limit for sales tax is fixed at Rupees ten million.

Ninth Schedule

Table II stipulating sales tax earlier applicable on the import and supply of cellular mobile phones under the Ninth Schedule has now been substituted as follows:

S. No.	Description / Specification of Goods	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs)	Sales tax on import in CKD/ SKD condition	Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4)
1.	Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category:- -			
	A. Not exceeding US$ 500	18% ad valorem	18% ad valorem	18% ad valorem
	B. Exceeding US$ 500	25% ad valorem	18% ad valorem	18% ad valorem

SALES TAX – KEY AMENDMENTS

Sales tax withholding – Eleventh Schedule

Registered persons manufacturing lead batteries are now required to withhold sales tax at the rate of 80 percent instead of earlier rate of 75 percent, applicable on supplies made by persons supplying any kind of lead.

Sales tax withholding to be made by registered persons (including registered manufacturing cement), on supplies made by the following suppliers would now be 80 percent of the sales tax applicable:

- Persons supplying any kind of coal under chapter 27 (PCT headings 2701.1100, 2701.1200, 2701.1900, 2701.2000, 2704.0010, 2704.0020, 2704.0090)
- Persons supplying any kind of plastic waste (Respective headings)
- Persons supplying crush stone and silica

Supplies made by Active Taxpayers as defined under the Act to other taxpayers fell outside the ambit of sales tax withholding with the exception of advertisement services. Following supplies are brought within the ambit of sales tax withholding:

- lead
- Gypsum
- Coal
- Waste of paper and paper board
- Plastic waste
- Crush stone and silica

FEDERAL EXCISE DUTY – KEY AMENDMENTS

Default surcharge

The rate of default surcharge has been changed from twelve percent per annum to KIBOR plus three percent per annum in line with amendments in Income Tax Ordinance, 2001 and Sales Tax Act, 1990.

Offences, penalties, fines and allied matters

- Penalty has been imposed on any person who installs plant and machinery (having value of Rs. fifty million and above) or commences production or removes such plant and machinery without prior permission of the Commissioner.
- Retail outlet of a person is now liable to be sealed, if the retailer is found selling cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes.

Appeals

As amended in Income Tax Ordinance, 2001 and sales Tax Act, 1990, the last date for transfer of appeals from Commissioner (Appeals) to the Appellate Tribunal Inland Revenue has been delayed till September 16, 2014. Previously through Tax Laws (Amendment) Act, 2024, pending cases having the value of assessment of tax or refund of tax exceeding Rs five million rupees were required to be transferred from Commissioner (Appeals) to the Appellate Tribunal Inland Revenue till June 16, 2024.

In respect of any decision of the Commissioner (Appeals) or the Appellate Tribunal received prior to the date of commencement of the Tax Laws (Amendment) Act, 2024, time limitation as applicable prior to the introduction of Tax Laws (Amendment) Act, 2024 shall continue to be in force.

Appellate structure

The structure for filing and disposal of appeals has been revamped through Tax Laws (Amendment) Act, 2024. Please refer to a comprehensive note in income tax section, except that the pecuniary limit for excise duty is fixed at Rupees five million.

FEDERAL EXCISE DUTY – KEY AMENDMENTS

TABLE-I OF FIRST SCHEDULE

- E-liquids by whatsoever name called, for electric cigarette kit are now subject to Federal Excise Duty at Rupees ten thousand per kg or sixty five percent of retail price, whichever is higher.
- Federal Excise Duty has been levied on Acetate tow at Rupees forty-four thousand per kg.
- Nicotine pouches is subject to Federal Excise Duty at Rupees one thousand and two hundred per kg.
- Locally produced cigarettes if their on-pack printed retail price exceeds twelve thousand five hundred rupees per thousand cigarettes are subject to Federal Excise Duty at Rupees sixteen thousand five hundred per thousand cigarettes. Further locally produced cigarettes if their on-pack printed retail price does not exceed twelve thousand five hundred per thousand cigarettes are subject to Federal Excise Duty at Rupees five thousand and fifty per thousand cigarettes. Previously this printed retail price limit was nine thousand rupees per thousand cigarettes and has now been increased to twelve thousand five hundred rupees per thousand cigarettes.
- Federal Excise Duty on Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers has been enhanced to three rupees per kg from two rupees per kilogram.
- Filter rods for cigarettes are now subject to Federal Excise Duty at Rupees eighty thousand per kg. Previously federal excise duty of Rupees fifteen hundred per kg was being levied.
- Allotment or transfer of commercial property and first allotment or transfer of residential property is now subject to Federal Excise Duty at rate of 5%.
- Federal Excise Duty has been levied on Sugar supplied by any person to a manufacturer at Rupees fifteen per kg.

THIRD SCHEDULE

Exemption from Federal Excise Duty has been extended to imports made by diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts, Orders, Rules, Regulations and Agreements passed by the Parliament or issued or agreed by the Government of Pakistan.

KEY AMENDMENTS

AMENDMENTS TO

CUSTOMS ACT 1969

New Definitions

The additions in definition are as follows

- “nuclear material” means the nuclear material as defined in the Pakistan Nuclear Regulatory Authority Ordinance, 2001 (III of 2001); and
- “radioactive material” means the radioactive material as defined in Pakistan Nuclear Regulatory Authority Ordinance 2001

Appointment of officers of customs and their powers

Directorate general of national targeting center (NTC) and directorate general of trade based money laundering (TBML) shall consist of a director general and as many director, additional directors, deputy directors, assistant directors and such other officers as the FBR may, by notification appoint in the official gazette.

Delegation of power

The authority of FBR to delegate any of its function and power can be entrusted to the following.

- Chairman;
- any Member or Director General to exercise the powers of the FBR or the Chairman; and
- any Collector of Customs to exercise any of the powers of a Chief Collector of Customs under this Act.

Delegation of power to other officers

FBR can also entrust officers of National Command Authority, Pakistan Nuclear Regulatory Authority with any functions of any other Officer of Customs.

Assistance to officers in customs

The officers of Intelligence Bureau are empowered and required to assist the Officers of the Customs.

CUSTOMS – KEY AMENDMENTS

PENALTIES IN VIOLATION OF SECTION 15 AND 16

The powers to extend period of detention have been transferred from Chief Collector or Director General to Assistant Collector of Customs or Additional Director.

EXEMPTION FROM CUSTOM DUTY

Notifications issued on or after the first day of July 2016, and placed before the National Assembly shall continue to be in force till 30th day of June 2025, if not earlier rescinded by the Federal Government or the National Assembly.

ALTERNATE DISPUTE RESOLUTION

Changes are made in the provisions of section 195C to strengthen mechanism of Alternate Dispute Resolution.

REFERENCE BEFORE HIGH COURT

Changes are made with a view to ensure that the cases are swiftly decided in the High Courts.

PENALTIES

Following amendments have been proposed through finance bill 2024 in table for offences and penalties.

- Two new penal clauses addressing offenses involving nuclear and radioactive material.
- Rationalization of penalty severity for importers seeking clearance of confiscated goods by paying redemption fines.
- Increase in prescribed penalty for police officers failing to deliver seized goods to the customs house.
- Enhancement of penalties to discourage smugglers and miscreants from assaulting Customs personnel, prompted by recent attacks on Customs staff.
- Introduction of penal provisions to deter illegal removal and pilferage of smuggled goods liable to confiscation while in the custody of their owner.

APPELLATE TRIBUNAL CUSTOMS

The Customs Appellate Tribunal shall be established to exercise authority conferred by the Act. Federal Government through prescribed procedures will govern the appointment, retention and management of Tribunal.

An appeal must be filled with in 30 days of order passed by officer of customs with prescribed fee. The Appellate Tribunal can grant a stay on accused duties for 90 days. The tribunal is liable to decide the appeal within 90 days which can further be amended to 60 days

RELIEF MEASURES

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

CUSTOMS – KEY AMENDMENTS

Review of regulatory regime (RD):

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

Review of exemption regime

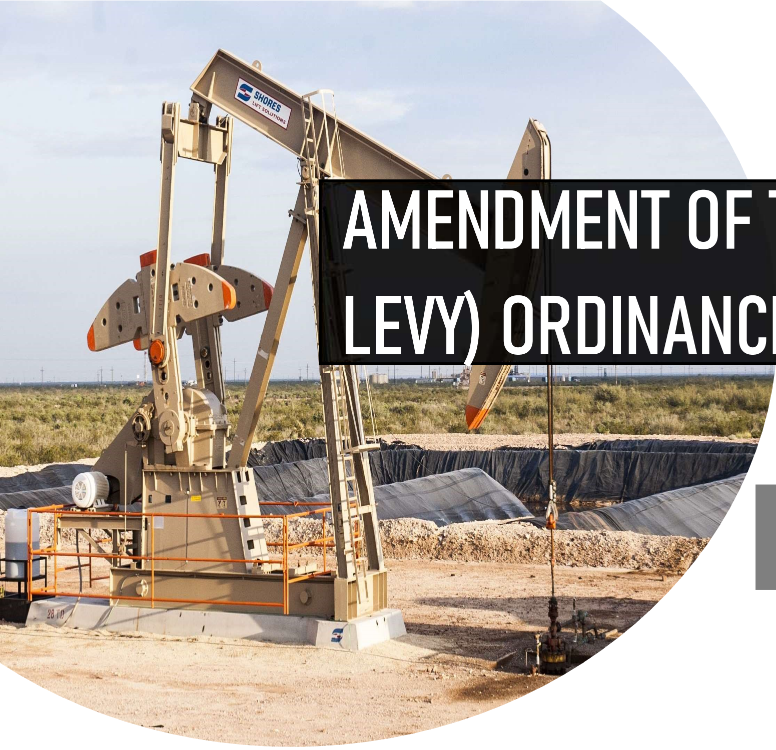
- Withdrawal of concession of customs duties on import of fresh & dry fruits.
- Review exemption of duties on import of inputs for Home Appliances.
- Withdrawal of concessions of duties on import of Hybrid Vehicles.
- Reduction in concession of customs duties on import of Electric vehicles having value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

Tariff Rationalization

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

Miscellaneous

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



AMENDMENT OF THE PETROLEUM PRODUCTS (PETROLEUM LEVY) ORDINANCE, 1961 (XXV OF 1961)– KEY AMENDMENTS

Rates of petroleum levy rates have been enhanced

S.No.	Petroleum Products	Unit	Minimum petroleum levy Rate (in rupees per unit	Maximum Petroleum Levy Rate (Rupees per Unit)
1	High Speed Diesel Oil (HSDO)	Liter	60	80
2	Motor Gasoline	Liter	60	80
3	Superior Kerosene Oil (SKO)	Liter	50	50
4	Light Diesel Oil (LDO)	Liter	50	75
5	High Octane Blending Component (HOBC)	Liter	50	75
6	E-10 Gasoline	Liter	50	75
7	Liquefied Petroleum Gas (produced/extracted in Pakistan)	Metric Ton	30,000	30,000

This revision is anticipated to have a significant impact on the petroleum sector and consumers alike.

Septentrio Global Consulting | Collaborating with Andersen Global in Pakistan

Corporate Website
www.sgc-consult.com

Phone Number

+92 (51)-235-2200
+92 314-7379-070

Email Address
rashid.ibrahim@sgc-consult.com

Address
Islamabad Office
House 162-A, Street 47, Sector- F10/4

Karachi Office
Office 203, Second Floor, The Fourm, Block 9, Clifton

Contact us if there are any questions.

Thank you for your time!