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CHARTERED ACCOUNTANTS

FEDERAL BUDGET SYNOPSIS
2026-27

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PREFACE

The budget for 2026-27 was announced on 12th June, 2026. The proposed changes are effective from 1st July 2026 unless an earlier date is given for effectiveness of a particular provision. Our comments on the budget provisions provide basic understanding of amendments expected to be brought about however, it is recommended that for giving detailed understanding our advice may be sought.

DISCLAIMER

While preparing this Synopsis care has been taken to ensure that our understanding on fiscal proposal and significant changes are explained to the reader to the best of our abilities.

Since the proposed changes will take effect once the Finance Bill is approved by the Parliament. The synopsis provides general guidance and therefore any action or inaction on the basis of this synopsis will be readers' discretion. We however do not take any responsibility for loss, if any, sufficient by reader by taking any action or inaction on the basis of these synopsis without seeking our formal written advice.

June 13, 2026



BUDGET AT A GLANCE

2026-27
(Budget Year)

Rupees in Billion

REVENUE SUMMARY			
	2026-27	2025-26	% Increase
Tax revenue	15,264	12,983	18% ↑
Non-tax revenue	5,336	5,093	5% ↑
Gross revenue	20,600	18,076	14% ↑
Less: Provincial share	(8,848)	(7,592)	17% ↑
Net revenue receipt	11,752	10,484	12% ↑
Privatization proceeds	161	14	1050% ↑
TOTAL	11,913	10,498	13% ↑

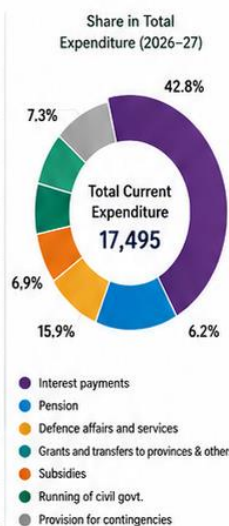
KEY HIGHLIGHTS

- Gross revenue projected at **Rs. 20,600 billion**, up 14%
- Net revenue receipt of **Rs. 11,752 billion**, up 12%
- Total expenditure projected at **Rs. 18,771 billion**, up 17%
- Fiscal deficit estimated at **Rs. 6,858 billion**, up 24%

TOTAL EXPENDITURE OVERVIEW

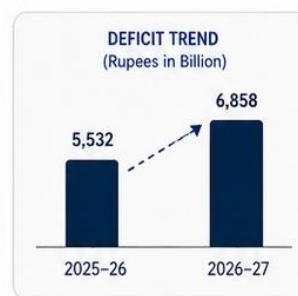
A CURRENT EXPENDITURE BREAKDOWN			
Category	2026-27	2025-26	% Increase
Interest payments	8,054	6,938	16% ↑
Pension	1,169	1,055	11% ↑
Defence affairs and services	3,000	2,588	16% ↑
Grants and transfers to provinces & others	2,680	1,971	36% ↑
Subsidies	1,091	1,157	-6% ↓
Running of civil govt.	1,071	1,021	5% ↑
Provision for contingencies	430	276	56% ↑
Total Current Expenditure	17,495	15,006	17% ↑

B DEVELOPMENT EXPENDITURE			
Category	2026-27	2025-26	% Increase
Development expenditure	1,276	1,024	25% ↑
TOTAL EXPENDITURE	18,771	16,030	17% ↑



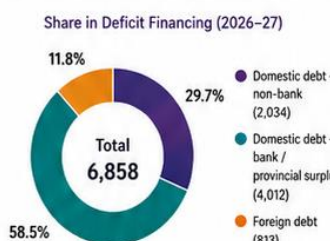
DEFICIT (FISCAL GAP)

Year	Deficit (Rs. Billion)	% Increase
2026-27	(6,858)	24%
2025-26	(5,532)	



DEFICIT FINANCING

Source	2026-27	2025-26	% Increase
Domestic debt - non-bank	2,034	2,139	-5% ↓
Domestic debt - bank / provincial surplus	4,012	1,858	116% ↑
Foreign debt	813	1,535	-47% ↓
TOTAL DEFICIT FINANCING	6,858	5,532	24% ↑



- Strong revenue growth**
Gross revenue up 14%
- Prudent spending**
Total expenditure up 17%
- Managing fiscal deficit**
Deficit at 3.2% of GDP*
- Balanced financing mix**
Bank borrowing and non-bank instruments support fiscal stability

Note: Numbers may not add up due to rounding.

*Based on GDP (Nominal) 2026-27 estimate.

BUDGET HIGHLIGHTS

INCOME TAX

The Finance Bill has proposed to make following amendments:

KEY INCOME TAX MEASURES

- For companies filing returns for the **tax year 2026** and onwards, accompanying financial statements will be required to be submitted strictly in an **electronically readable format**.
- The 9% surcharge under **Section 4AB** has been abolished for individuals deriving income under the head "Salary" where taxable income exceeds PKR 10 million.
- **Section 7E** relating to deemed income from capital assets situated in Pakistan has been omitted.
- Income tax rates for salaried taxpayers have been reduced through restructuring of tax slabs.
- **Super Tax** has been **abolished** for persons having income **up to Rs. 500 million**. For persons having income **exceeding Rs. 500 million**, the rate has been reduced from **10% to 8%**.
- For the banking, exploration and production (E&P), and fertilizer sectors, **Super Tax** shall continue to apply at the rate of **10% where income exceeds Rs. 150 million**.
- Rate of **advance tax on sale and purchase of immovable property** has been reduced and converted into flat rate of **2.75 and 1.5%** respectively.
- Tax collection on **export proceeds (1% withholding tax and 1% advance tax)** has been reduced from **2 % to 1.25%** in order to encourage exports.
- The **reduced tax rate of 0.25% for exporters of IT and IT-enabled** services registered with PSEB has been extended from 2026 up to Tax Year 2029.
- **Advance tax** on foreign remittances made through debit, credit and prepaid cards has been reduced from **5% to 0.5%**.
- Tax deducted on **e-commerce transactions** shall be adjustable for sellers having turnover exceeding Rs.200 million.
- A **tax credit** equal to **10%** of the investment made in **electronic resources for integration with FBR's computerized systems** has been introduced to facilitate documentation and digital compliance.
- **Advance tax** on payments for foreign television plays and advertisements has been withdrawn.
- The turnover threshold for exemption from **withholding tax for small traders** has been increased from **Rs. 100 million to Rs. 200 million**.
- Funds and eligible non-profit organizations meeting prescribed conditions shall be

entitled to issuance of exemption certificates for the whole financial year.

- For inherited immovable property, the cost shall be deemed to be the fair market value as at the date of death of the original owner.
- A **final tax regime** has been introduced for individuals receiving payouts, surrender values, or maturity proceeds from **life insurance policies and family takaful certificates** from Tax Year 2026 onwards.
- Up to 5% of business expenditure may be disallowed where a person fails to install electronic resources or comply with integrated enterprise requirements prescribed under the law.
- The Federal Government has been empowered to reduce any withholding tax rate operating as a minimum tax (other than under **Section 113**) to as low as 1%, based on economic viability considerations.
- **Limited Liability Partnerships (LLPs)** have been formally included within the definition of an Association of Persons (AOP).
- The tax-free pass-through treatment of profit distributions by exempt LLPs has been withdrawn where the LLP's income itself is exempt from tax.
- A **faceless audit, assessment, and appellate regime** has been introduced.
- The Commissioner Inland Revenue shall require prior approval before filing references before the High Court or appeals/reviews before the Supreme Court or Federal Constitutional Court.
- The Board has been empowered to establish a digitally operated algorithmic settlement mechanism for settlement of tax proceedings before assessment or amendment proceedings under **Sections 121, 122, and 122E**.
- The scope of **Section 143** has been expanded by recognizing authorized shipping agents as persons responsible for compliance with tax provisions relating to non-resident shipping operations.
- Banks maintaining FCVA, FCBVA, NRVA, and NRBVA accounts shall be required to withhold tax on capital gains arising from disposal of debt instruments and Government securities at prescribed rates.
- Banking and non-banking financial institutions shall be required to deduct tax at the rate of 5% on amounts credited or received in an account where such inflows represent revenue earned from social media platforms.
- **Section 165AB** has been introduced to establish a technology-driven data acquisition framework focused on high-value banking transactions across Pakistan's financial sector.
- A new **subsection (6B)** has been inserted in **Section 177** empowering the Commissioner, during audit proceedings, to require re-audits or specialized valuations in specified circumstances.

PENALTIES AND ENFORCEMENT

- **Section 182(1)**, S. No. 1: Expands the definition of “tax payable” to include assessments under section 122E and introduces a benchmark of the highest tax payable in the last three filed tax years, thereby strengthening the basis for determining tax-related consequences.
- **Section 182(1)**, S. No. 2A: Introduces penalties for failure to install, operate, maintain, or tamper with FBR-prescribed electronic monitoring systems under **Section 174(5)**, imposing Rs. 1 million for the first default and Rs. 2 million for subsequent defaults to strengthen digital compliance and real-time tax monitoring
- **Section 182(1)**, S. No. 2B: Introduces penalties on the principal officer of integrated organisations for failure to comply with **Section 175A** requirements relating to IT system integration, data sharing, reporting, and related compliance obligations, with Rs. 500,000 for the first default and Rs. 1,000,000 for subsequent defaults, along with expanded personal liability for senior management to ensure effective enforcement of the integrated data regime.
- **Section 182(1)**, S. No. 8: Enhances penalties for non-production of records under section 177 by increasing fines for each successive audit notice (Rs. 100,000 for first, Rs. 200,000 for second, and Rs. 300,000 for third) to strengthen audit compliance and ensure timely provision of documentation.
- **Section 182(1)**, S. No. 10: Significantly increases penalties for false or misleading statements by raising the fixed penalty from Rs. 25,000 to Rs. 500,000 and the tax shortfall penalty from 50% to 100%, thereby strengthening deterrence against misreporting and ensuring greater accuracy in tax disclosures.
- **Section 182(1)**, S. No. 12: Increases the fixed penalty for concealment of income or furnishing inaccurate particulars from Rs. 100,000 to Rs. 1,000,000, while keeping the penalty equal to the tax sought to be evaded unchanged, thereby strengthening deterrence against tax evasion.
- **Section 182(1)**, S. No. 15: Substantially increases penalties for failure to deduct, collect, or deposit withholding tax by raising the fixed penalty from Rs. 40,000 to Rs. 500,000 while retaining the 10% tax-based penalty, and introduces additional personal liability of Rs. 500,000 on the Principal Officer in case of corporate default.
- **Section 182(1)**, S. No. 36: Introduces a penalty equal to the excess amount where a taxpayer claims withholding tax credit beyond the amount actually deducted and deposited, as verified through the Board’s system, to curb incorrect or inflated tax credit claims.
- **Section 182A**: Significantly increases the surcharge for late filers seeking inclusion in the Active Taxpayers List (ATL), raising the amounts to Rs. 100,000 for companies, Rs. 50,000 for AOPs, and Rs. 25,000 for individuals to promote timely filing of income tax returns.

EXEMPTION & TAX CONCESSIONS

- Certain non-profit organizations have been added to the exemption list under Clause (57) of Part I of the Second Schedule.

- The scope of exemption on profit on debt earned by non-resident Pakistanis has been restricted.
- A withholding tax at the rate of 12% of the gross payment amount has been prescribed under Section 153(1)(b) for persons providing terminal or port services.
- The reduced minimum tax rates under Section 113 available to the cement, steel, edible oil, FMCG, and retail sectors have been withdrawn.
- The reduced minimum tax rate under Section 113 applicable to distributors, dealers, sub-dealers, and wholesalers of packaged food, fertilizer, sugar, electronics, and locally manufactured mobile phones has been increased from 0.25% to 0.5%.
- Mutual Funds, Approved Pension Schemes, Provident Funds, and Real Estate Investment Trusts (REITs) have been exempted from withholding tax under Section 151A on capital gains arising from the disposal of debt securities.
- The exemption available to local iron and steel manufacturers from the minimum tax provisions of Section 153(3) has been withdrawn.
- The exemption from withholding tax under Section 153 available to large-scale trading houses has been withdrawn.

SALES TAX

The Finance Bill has proposed to make the following amendments:

- Introduction of several new **definitions** to support digital and faceless tax administration, including "**Advance Receipt Invoice**," "**Algorithmic Settlement Mechanism**," "**Electronic Invoicing System**," "**National Faceless Centre**" and "**Production Monitoring System**".
- Rationalization of the criteria for **Tier-1 Retailers** by including those with an annual turnover or a turnover (declared or worked back from advance tax paid under section 236G/H of the Income Tax Ordinance, 2001).
- Clarification of the "**time of supply**" as the moment goods are ready for dispatch from business premises, while mandating that any part payments must be accounted for in the return of the period in which they are received.
- Introduction of a new tax regime for steel melters and re-rollers based on per-unit electricity consumption, with monthly refunds for those integrated with digital monitoring systems.
- Empowering the Board to reduce or enhance the 90% input tax adjustment limit under Section 8B based on a taxpayer's level of compliance with systems like production monitoring, digital invoicing, e-Bilty, POS or any electronic system prescribed by Board.

- Digitization post-supply adjustments by requiring that the issuance and adjustment of debit and credit notes be governed through a prescribed electronic mechanism, including the electronic processing of corresponding tax adjustments.
- Introduction of a **Faceless Audit and Assessment framework** where proceedings are conducted through e-hearings and the identity of the officer remains strictly confidential.
- Strengthening the enforcement by making registered persons liable to de-registration, suspension, or blacklisting for failing to integrate with mandated digital systems or for non-compliance with prescribed requirements.
- All registered persons making taxable / exempt supplies must issue tax invoices, including advance receipt invoices, which must bear a verifiable and unique FBR invoice number, ensuring that manual invoices are no longer treated as valid without verification.
- Commissioner to direct a re-audit by a chartered accountant or a revaluation of inventory by a cost accountant when the specialized nature or complexity of a business warrants it.
- 50% penalty reduction (down from 100%) for taxpayers who voluntarily deposit evaded tax and default surcharge after a show-cause notice is issued.
- Establishment of the National Faceless Centre, which will use algorithm-based systems for case allocation and conduct all communications exclusively via electronic means.
- Comprehensive revision of penalties, including increasing the fine for late filing of returns to PKR 50,000 and the penalty for failing to issue a tax invoice to PKR 25,000 or 5% of the tax involved, whichever is higher.
- Severe penalties for high-risk defaults, such as a penalty up to PKR 1 million for failing to integrate with production tracking systems and a penalty equal to the face value of the invoice for issuing fictitious or simulated invoices.
- Strengthen **Section 40C** by mandating that taxable goods must be affixed with stamps, barcodes, or labels and monitored via video analytics, with non-compliant goods and vehicles subject to seizure and confiscation.
- Introduction of an **Algorithmic Settlement Mechanism** that provides digitally generated settlement offers to registered persons based on their compliance history and the nature of the discrepancy
- Establishment of an **Independent Case Scrutiny Committee**, chaired by a retired judge, whose approval is required before the Commissioner can file references or appeals in higher judicial forums
- Expansion of the **Third Schedule (Retail Price Taxation)** to include items such as footwear, dairy preparations, household utensils, bathroom accessories, and various food items in retail packing.

- Expand the **Sixth Schedule (Exemptions)** to include female sanitary products (pads, tampons), contraceptives, and specific maritime sector vessels, while extending the exemption for Electric Vehicle (CKD units) until June 30, 2027.
- Extension of reduced 1% sales tax rate for electric 4-wheelers, buses, and trucks under the Eighth Schedule until June 30, 2027.
- Withholding tax provisions expanded to include AOPs and individuals to withhold 5% sales tax on purchases from unregistered persons.
- Toll manufacturers to withhold tax at four times of the tax charged on the conversion charges from unregistered suppliers.
- Amending the **Twelfth Schedule (Value Addition Tax)** by making manufacturers liable for the 3% value addition tax and default surcharge if they import raw materials for in-house consumption but subsequently sell them in the same state.
- If a manufacturer's sale of imported goods in the same state exceeds 50% of their total imports in a year, they may also be subject to criminal prosecution.

FEDERAL EXCISE DUTY

The Finance Bill has proposed to make following amendments:

- Introduction of new definitions for "**Algorithmic Settlement Mechanism**," "**Electronic Invoicing System**," "**National Faceless Centre**" and "**Production Monitoring System**" to support the digitization of excisable goods monitoring.
- Introduction of **Special Excise Duty** on specific goods listed in a new Table-IA of the First Schedule, in addition to standard duties.
- Authorization of the **National Faceless Centre** to conduct audits and assessments, extending Sales Tax Act provisions regarding faceless proceedings and algorithmic settlements to the Federal Excise Act.
- Mandatory issuance of invoices, including "**advance receipt invoices**" which must feature a unique and verifiable FBR invoice number.
- Significantly strengthened penalties for interfering with digital monitoring systems, including the manipulation or erasure of data from production monitoring or video analytics systems.
- Expanded seizure and confiscation powers to include goods and transport vehicles that fail to comply with mandatory production monitoring requirements.
- Establishment of an Independent Case Scrutiny Committee, chaired by a retired judge, to approve the filing of references or appeals by the Commissioner in higher judicial forums.
- Comprehensive expansion of the Track-and-Trace regime into an integrated, technology-driven digital monitoring framework.

- **Electronic audit** proceedings via video link and introduces a tiered penalty relaxation for voluntary payments: a 25% penalty if paid before a show-cause notice and a 50% penalty if paid after the notice.
- Empowerment of the Commissioner to direct a re-audit by an accountant or a revaluation of inventory by a cost accountant when business complexity or account credibility warrants specialized scrutiny.
- Fixed duties for new items, including Rs. 10,000 per kg for Acetate Tow and Rs. 16,500 per kg for E-liquids used in electronic cigarettes.
- Exclusion of hydration and electrolyte-based drinks from FED, provided they contain no artificial sweeteners and no more than 5 grams of sugar per 100 ml.
- Imposition of new duty rates for Lubricating oil (5% ad valorem) and Solvent oil (Rs. 80 per litre).
- Restriction on cigarette pricing, prohibiting manufacturers from introducing new brand variants at a price lower than the lowest existing price for that brand to prevent tax avoidance through "down-trading".
- Introduction of **Special Excise Duty for high-capacity motor vehicles**: 40% for engines between 2000cc and 3000cc, and 41% for those exceeding 3000cc.
- Introduction of fixed air travel excise levies based on region, such as Rs. 50,000 for travel to the Americas and Rs. 40,000 for the Far East and Australia.
- Introduction of conditional exemptions for bullet-proof vehicles imported for specific international summits (SCO) or for the protection of public functionaries.

SIGNIFICANT AMENDMENTS

INCOME TAX

Algorithmic Settlement Mechanism **Section 2(1AA)**

The Finance Bill proposes a new digital framework under Section 134B for automated tax settlements.

Assessment **Section 2(5)**

The Finance Bill proposes to expand the definition of assessment to legally include "faceless assessment".

Electronically Readable Format **Section 2(19DA)**

The Finance Bill proposes a strict standard for digital data submission, explicitly naming formats like CSV, XLSX, XML, XBRL, and JSON that allow computer systems to process data without human intervention. It explicitly proposes excluding standard PDFs, scanned images, or photographs from this definition

Fast Moving Consumer Goods **Section 2(22A)**

The Finance Bill proposes to omit the definition of Fast Moving Consumer Goods from the law.

Integrated Enterprise **Section 2(30A)**

The Finance Bill proposes to update the current definition of Integrated Enterprises by replacing the older terminology of "fiscal electronic devices" with the FBR computerized system integrated through a "licensed integrator," aligning with the Sales Tax Act, 1990.

Licensed Integrator **Section 2(30D)**

The Finance Bill proposes to introduce a new definition for "Licensed Integrator" under the Income Tax Ordinance by adopting the exact definition provided under Section 2(15A) of the Sales Tax Act, 1990.

National Faceless Center **Section 2(35)(1A)**

The Finance Bill proposes to officially define the administrative center established under Section 227D.

PRAL **Section 2(42AA)**

The Finance Bill proposes to formally define Pakistan Revenue Automation (Pvt) Limited as a State Owned Enterprise assigned to software development and IT infrastructure maintenance for the FBR.

Special Purpose Vehicle **Section 2(60)**

The Finance Bill proposes to omit the definition of Special Purpose Vehicle from the law.

Surcharge

Section 4AB

The Finance Bill proposes to abolish the surcharge under Section 4AB for individuals deriving income under the head "Salary" where taxable income exceeds PKR 10 million. Consequently, such salaried individuals will no longer be subject to the 9% surcharge previously applicable under this section. However, the surcharge under Section 4AB will continue to apply at the rate of 10% to individuals deriving income other than salary and to Associations of Persons (AOPs) where taxable income exceeds PKR 10 million.

Tax on payments for digital transactions in e-commerce platforms

Section 6A

The Finance Bill proposes adding a new sub-section (3) to Section 6A, creating a turnover-based exception to the Final Tax Regime for persons who receive payments for the supply of digitally ordered goods or services delivered from within Pakistan using locally operated online platforms, including online marketplaces or websites. This amendment carves out sellers having an annual turnover exceeding PKR 200 million from the final tax regime; resultantly, the tax deducted at source will become adjustable for such taxpayers. Sellers falling below the PKR 200 million threshold will continue to be governed by the standard final tax treatment on their gross receipts.

Tax on Deemed Income

Section 7E

The Finance Bill proposes the complete omission of Section 7E from the Income Tax Ordinance, effectively abolishing the tax on the deemed income. This legislative deletion directly follows the landmark judgement of the Federal Constitutional Court of Pakistan, which declared the levy unconstitutional and ultra vires.

Tax on Certain Payments by Life Insurance Business

Section 7G

The Finance Bill proposes introducing a final tax on individuals receiving payouts, surrender values, or maturity proceeds from life insurance policies or family takaful certificates from the tax year 2026 onwards. The Finance Bill proposes that the taxable amount be calculated as the gross payout reduced by the total premiums paid. It further proposes that this levy will not apply to payouts triggered by death, disability, or those occurring after 7 years from the date of policy issuance.

Withholding on Life Insurance/Takaful Payouts

Section 151B

The Finance Bill proposes a dedicated withholding tax on individual payouts, surrender values, or maturity proceeds from life insurance and family takaful policies.

The rate of applicable withholding tax are as follows:

S.no	Description	Rate of Tax
1	Where payout or benefit is made within one year from the date of issuance of the life insurance policy, family takaful certificate or plan	15%
2	Where payout or benefit is made after one year but before completion of seven years from the date of issuance of the life insurance policy, family takaful certificate or plan	10%

Deductions Not Allowed

Section 21(r)

The Finance Bill proposes that up to 5% of business expenditure claims can be disallowed for any person who fails to install electronic resources or act as an integrated enterprise as required by law. The current provision disallows expenditures attributable to sales up to 8% of allowable deductions for a person who is required to integrate but fails to integrate their business with the Board through an approved fiscal electronic device and software.

Rationalization of rates of withholding taxes in the nature of minimum tax Section 53A

The Finance Bill proposes empowering the Federal Government to reduce any withholding tax rate that acts as a minimum tax (excluding Section 113) upto 1% based on economic viability. The Finance Bill proposes that all such amendments must be presented before the National Assembly within the financial year.

Tax Credit for Integration

Section 64D

The Finance Bill proposes to substitute Section 64D, expanding the tax credit's scope from retail point-of-sale (POS) machines to any digital integration or real-time production monitoring mandated under Income Tax, Sales Tax, or Federal Excise laws. The amendment transitions the incentive from the current cap (the lesser of actual cost or PKR 150,000 per machine) to a flat credit allowed at 10% of the total amount invested in the electronic hardware and software infrastructure. Furthermore, the proposal explicitly excludes operation and maintenance expenses from the credit and restricts its adjustment solely against normal tax payable.

Cost

Section 76

The Finance Bill proposes that when an individual acquires immovable property via inheritance, the cost of the property in their hands will be its fair market value as provided under sub-section (5) of section 68 of this Ordinance on the exact day of the original owner's death.

Non-recognition Rules

Section 79(1)

The Finance Bill proposes an explanation clarifying for the removal of doubt that asset transmissions, in the nature of immoveable property, following a person's death include family settlements made amongst surviving family members.

Person

Section 80

The Finance Bill proposes formally including "limited liability partnership" within association of person classifications.

Principles of taxation of associations of persons

Section 92(4A)

The Finance Bill proposes to done away with the tax-free pass-through status of profit distributions made by exempt Limited Liability Partnership (LLP) by omitting the explanatory clause under sub-section (1) and introducing a new sub-section (4A). Under the proposed amendment, where the income of an LLP is exempt from tax, the share of profit or any amount received by a partner in their capacity as a member will now become fully taxable in the hands of that member.

Special procedure for small traders and shopkeepers

Section 99B

The Finance Bill proposes to amend Section 99B to broaden the scope of special procedures that the Board may prescribe for small retailers and shopkeepers. By substituting the existing phrase with "rate and payment of tax including fixed tax, filing of return, audit", the amendment grants the FBR explicit legislative backing to not only dictate filing mechanics, but to independently determine specialized tax rates, implement a fixed tax regime, and mandate targeted audit procedures for this sector across specified cities. Further, the Finance Bill has proposed to amend Clause (115) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, by doubling the turnover threshold from Rs. 100 million to Rs. 200 million. This amendment exempts individual traders with an annual turnover of up to Rs. 200 million from acting as "prescribed persons" (withholding agents) under Section 153.

Special provision relating to capital gain tax

Section 100B(3)

Section 100B dictates that capital gains on listed securities are computed, collected, and deposited through the automated clearing mechanism of the National Clearing Company of Pakistan Limited (NCCPL) under the rules of the Eighth Schedule. Historically, sub-section (2) provided a strict list of exclusions (such as banks, insurance companies, mutual funds, NBFCs, and Modarabas) that were exempt from this automated clearing house mechanism. The Finance Bill proposes to remove Non-Banking Finance Companies (NBFCs), Modarabas, and corporate debt securities from the exclusion list under sub-section (2). Furthermore, The Finance Bill proposes mandating that the National Clearing Company of Pakistan Limited (NCCPL) will compute and determine capital gains for banking companies, insurance companies, and mutual funds using the Section 37A mechanism, though it proposes that these entities will continue to deposit tax under standard applicable provisions.

Return of Income

Section 114

The finance bill proposes to explicitly require all electronic filing to be done through the IRIS platform. Further, for companies filing returns for the tax year 2026 and onwards, the Finance Bill proposes that accompanying financial statements must strictly be submitted in an electronically readable format.

The Finance Bill proposes that taxpayers who accept a digital settlement offer through the algorithmic settlement mechanism can file a revised return without needing the Commissioner's approval. The Finance Bill proposes that they only need to pay the tax determined by the system to bypass separate penalties or default surcharges.

Faceless tax Administration Framework

a. Faceless jurisdiction of income-tax authorities

Section 209B

The Finance Bill proposes to omit section 209A and insert a new section 209B introducing a comprehensive framework for faceless jurisdiction of income tax authorities.

The new section provides that:

- The Inland Revenue authorities appointed in the National Faceless Centre shall exercise such functions and powers under the Ordinance as may be assigned by the Board through algorithm-based allocation in respect of specified persons, classes of persons, and tax years.

- Jurisdiction may be exclusive or concurrent, with residual powers in concurrent cases remaining with the Commissioner under section 209.
- The Board is empowered to transfer jurisdiction between the Faceless Centre and the jurisdictional Commissioner, either on recommendation of the Chief Commissioner or suo motu.
- The Chief Commissioner of the Faceless Centre may request physical verification through jurisdictional Commissioners or other tax authorities regarding business operations, assets, investments, expenditures, and related matters, with allocation of such verification also capable of being algorithm-based.
- The identity of officers working in the Faceless Centre shall remain strictly confidential from taxpayers and their representatives.
- Proceedings, orders, notices, demands, or assessments issued by the Faceless Centre shall not be invalidated merely on the grounds of jurisdictional mismatch, absence of formal delegation, or confidentiality of the issuing authority.

It introduces algorithm-based allocation of cases, enhanced confidentiality of tax officers, and flexible jurisdictional transfers between faceless and field formations.

The provision also seeks to protect faceless assessments from procedural challenges based on jurisdictional technicalities, thereby strengthening the legal sustainability of decisions issued under the faceless regime.

b. Automated impersonal tax regime

Section 227D

The Finance Bill proposes to substitute the existing section 227D, which currently provides for an “Automated Impersonal Tax Regime”, with a comprehensive framework establishing a “National Faceless Centre”.

Under the proposed amendment, the Board is empowered to establish a National Faceless Centre to conduct proceedings under the Ordinance in a fully faceless manner. The Centre will be staffed by a broad range of Inland Revenue officers and support personnel, and its jurisdiction, powers, and functions will be determined by the Board.

Key features of the proposed regime include:

- Allocation of functions and jurisdiction through Board-designed algorithms;
- Structuring of the Centre into multiple wings and units as prescribed;
- Separation of audit, assessment, and quality control functions to ensure functional independence within a case;
- Mandatory electronic communication for all interactions with taxpayers, representatives, and other persons.

The amendment represents a significant shift from a limited “low-risk taxpayer” digital regime to a comprehensive, technology-driven and fully faceless tax administration system aimed at enhancing transparency, reducing human interaction, and improving efficiency in tax proceedings.

c. Faceless Audit and Assessment

Section 122E

The Finance Bill introduces Section 122E, establishing a completely anonymized, digital-first enforcement framework. Under this proposed section:

Scope of Faceless Proceedings: The Board may mandate that audits (under section 177 or 214C), unexplained income proceedings (under section 111), assessments (under Part II of Chapter X), and rectifications (under section 221) be conducted in a completely faceless manner for specified persons or cases.

Mandatory E-Hearings: Any statutory opportunity of being heard or the recording of statements under oath must take place exclusively via online E-hearings.

Absolute Officer Anonymity: To ensure the integrity of the process, the complete identity of the presiding tax officer—explicitly including their facial and voice identity during these E-hearings—must be kept strictly confidential from the taxpayer.

d. Faceless Appeals

Section 129A

The Finance Bill proposes authorizing income tax appeals to be processed digitally via the National Faceless Center.

Independent Case Scrutiny Committee

Section 133A

The Finance Bill proposes preventing the Commissioner Inland Revenue from filing references to the High Court or appeals/reviews before the Supreme Court or Federal Constitutional Court without prior approval from a newly formed Independent Case Scrutiny Committee. The Finance Bill proposes that the committee consist of a retired Supreme Court, Federal Constitutional Court, or High Court judge (serving as Chairman), an experienced tax advocate, and a senior serving or retired FBR officer (BS-20 or above). The Finance Bill proposes that its recommendations be legally binding on the Commissioner.

Alternative Dispute Resolution

Section 134A

The Finance Bill proposes allowing dissolved ADR committees to rectify mistake apparent from record on its own or within 30 days of the receipt of decision of the committee by the taxpayer or the Commissioner as the case may be. It also proposes granting the FBR Chairman a 15-day window to replace unavailable committee members, extending the proceeding deadline by 60 days upon reconstitution to ensure the total elapsed period is at least 90 days.

Algorithmic Settlement Mechanism

Section 134B

The Finance Bill introduces an automated, digitally operated dispute-resolution framework to streamline pending tax disputes. Under this proposed mechanism:

Scope and Stage of Settlement: The Board may deploy a system-driven algorithmic settlement mechanism at any stage of proceedings prior to the issuance of final assessment or amendment orders under Sections 121, 122, or 122E. Settlement is achieved via a revised return filed under Section 114(6) in specified cases.

Automated Offer Calibration: System-generated settlement offers will be dynamically calculated based on a combination of variables: the current stage of the proceedings, the taxpayer's compliance track record, the nature of the discrepancy (e.g., valuation disputes, legal interpretation, or deliberate concealment), and revenue adequacy parameters.

Strict 10-Day Compliance Window: To utilize this mechanism, a taxpayer must formally accept the automated offer on IRIS, deposit the calculated settlement tax amount, and submit the revised return within ten days of receiving the digital offer.

Consequent Abatement of Notices: Upon successful revision of the return and payment of the settled amount, all active underlying notices—including selections for audit, Section 111 unexplained wealth notices, Section 177(6) audit reports, or Section 122(9) show-cause notices—shall stand legally abated for those specific issues.

Ring-Fenced Coverage: The algorithmic settlement strictly covers only the specific discrepancies targeted in the automated offer. It does not act as a blanket immunity, leaving the FBR completely free to pursue any other issues in that same period or investigate separate tax years.

Non-resident ship owner or charterer

Section 143

The Finance Bill, 2026 proposes to expand the scope of section 143 by formally recognizing an **authorised shipping agent** as a person responsible for compliance with the provisions relating to taxation of non-resident shipping operations.

The Finance Bill proposes a strict "one vessel, one voyage, one return" rule by inserting sub-section (1A), mandating that only a single tax return shall be furnished per vessel or voyage to cover the total freight and all related amounts.

The Finance Bill proposes via sub-section (1B) that the master of the ship or the designated authorised shipping agent handling manifest filing and freight shall hold exclusive responsibility, explicitly barring any other person from filing a return for that specific voyage.

The Finance Bill proposes to make the master of the ship and the authorised shipping agent jointly and severally liable for the payment of tax, obligations, assessments, and recovery proceedings linked to the voyage.

The Finance Bill proposes that port clearance will be withheld by Customs authorities until the Commissioner issues a clearance certificate and an electronic confirmation of the return filing and tax payment is formally received in the prescribed manner.

Authorized Shipping Agent

Section 2(6A)

The Finance Bill introduces a new definition to formalize the status of local shipping agents acting on behalf of non-resident ship owners, charterers, or operators. Under the proposed definition, a person in Pakistan is classified as an "authorised shipping agent" if they fulfill following criteria:

- a. **Financial & Operational Control:** They handle the documentation, manifest filing, or reporting of cargo, and are responsible for the receipt, collection, control, custody, or disposal of total freight and related amounts for a vessel or voyage.
- b. **Tax Filing:** They furnish the tax return under Section 143 for that specific vessel or voyage.

Once classified as an authorised shipping agent, the person is legally treated as the "representative" of the non-resident under Section 172. This explicitly makes the local agent jointly and severally liable for all tax payments, obligations, proceedings, assessments, and recovery regarding that vessel or voyage.

Advance Tax

Section 147

The Finance Act, 2025 radically changed export taxation by ending the decades-old Final Tax Regime (FTR) and bringing exporters under the Normal Tax Regime (NTR), converting the standard Section 154 withholding into a *minimum tax* liability. To accelerate revenue collection under this new corporate tax framework, the legislature simultaneously inserted sub-section (6C) into Section 147. This aggressive provision mandated banks and customs authorities to collect an additional 1% advance tax at the exact moment of foreign exchange realization, sale, or clearing of exported goods, stacking a 1% advance tax in addition to withholding under section 154.

The Finance Bill proposes to completely omit sub-section (6C) of Section 147. This eliminates the point-of-realization 1% advance tax collection entirely, separating immediate export cash inflows from quarterly advance tax estimation mechanics.

To balance this elimination of point-of-realization advance tax while maintaining revenue adequacy, the Finance Bill 2026 proposes to increase the withholding/minimum tax rate under Section 154 from 1% to 1.25%. This adjustment effectively rationalizes the export sector's minimum tax regime, aligning it directly with the standard minimum tax threshold of 1.25% applied to local corporate entities under Section 113 of the Ordinance.

Payments to Non-resident

Section 152

The Finance Bill proposes mandating banks keeping accounts like FCVAs, FCBVAs, NRVAs, or NRBVAs to withhold tax on capital gains realized from the disposal of debt instruments and Government securities at rates listed in the First Schedule.

Revenues from Social Media Platforms

Section 154B

The Finance Bill proposes to obligate every banking and non-banking financial institution to deduct tax at source at the time of crediting or receiving any amount in a person's account, provided the inflow represents revenue received from social media platforms.

The Finance Bill proposes a withholding tax rate of **5%** under the newly proposed Division IIIAB of Part III of the First Schedule.

The Finance Bill proposes that the 5% tax deducted will serve as a minimum tax for resident persons appearing on the Active Taxpayers' List and a final tax for non-resident persons.

Definitions Proposed by the Finance Bill:

- **Digital Content Creator / Social Media Influencer:** Defined as any individual or entity deriving income from the creation, publication, or monetization of content on digital platforms, explicitly including but not limited to YouTube, Facebook, Instagram, TikTok, or other similar platforms.
- **Payment:** Defined broadly to include any inward remittance, transfer, or credit received through banking channels, including funds routed through intermediaries such as online payment service providers or digital financial platforms.

The Finance Bill proposes that the Board may, by notification in the official Gazette, prescribe rules for implementation, specifically including identification and reporting mechanisms.

Exemption or lower rate certificate

Section 159

This Section governs the mechanism through which the Commissioner issues exemption certificates or orders for reduced withholding tax rates to eligible taxpayers.

The Finance Bill proposes that where a person (such as a Collective Investment Scheme or a REIT Scheme including Special Purpose Vehicle) has distributed 90% or more of its accounting income among its unit holders, certificate holders, or shareholders for the last three consecutive years in accordance with clause (99) of Part I of the Second Schedule, that person shall be eligible for the issuance of an exemption certificate. The Finance Bill proposes that this certificate shall be valid for the subsequent whole tax year.

The Finance Bill proposes that where a person has been formally issued an approval under sub-clause (c) of clause (36) of section 2 of the Ordinance (governing approved non-profit organizations and charitable institutions) for a tax year, that person shall be eligible for the issuance of an exemption certificate. The Finance Bill proposes that this certificate shall also be issued for the said whole tax year.

Reporting of Financial Transaction Data

Section 165AB

The Finance Bill proposes to introduce Section 165AB to establish an aggressive, technology-driven data acquisition framework targeting high-value banking transactions across Pakistan's financial sector.

The Finance Bill proposes that the reporting mandates under this section shall apply 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 conflicting law currently in force.

The Finance Bill proposes that every banking company and Electronic Money Institution (EMI) must electronically upload specified transaction data directly to the newly established Central Data Hub.

The Finance Bill proposes that reporting is mandatory for any account holder whose aggregate deposits or withdrawals exceed one hundred million Rupees during a defined reporting period across any or all bank accounts maintained by them.

The Finance Bill proposes that the transmitted financial data must explicitly specify the particulars of deposits or withdrawals, including opening and closing balances, peak credits (the highest credit balance on any given date during the period), and total credits recorded during the reporting period.

The Finance Bill proposes a bi-annual reporting framework based on a six-month "reporting period" with strict data-transmission deadlines:

- First Period: July 1st to December 31st, with a specified electronic upload deadline of **January 31st**.
- Second Period: January 1st to June 30th, with a specified electronic upload deadline of **July 31st**.

The Finance Bill proposes that the financial information shared by banks will be digitally processed and **shall not be visible to any Income Tax Authorities** during the initial automated cross-matching process.

The Finance Bill proposes that if a "gross mismatch" is identified by the system between the account holder's bank transactions and their tax declarations, the digital system will automatically feed the data into the FBR's **Compliance Risk Management (CRM)** system. Further enforcement proceedings will then be managed exclusively by the **National**

Faceless Centre.

The Finance Bill proposes a statutory guarantee that all data shared by commercial banks remains strictly confidential, mandating that the Board ensure it is never disclosed or misused in a manner that disregards banking confidentiality laws outside the specific parameters of this section.

Record

Section 174(5)

Section 174 details the statutory obligations of taxpayers regarding the maintenance of books of account and documents. Sub-section (5) historically empowered the Board to mandate the installation of specific electronic devices (such as fiscal point-of-sale systems) for monitoring transactions. The proposed substitution radically expands the functional scope of this requirement to support real-time data integration.

- The Finance Bill proposes to substitute sub-section (5) to allow the Board to require any person or class of persons to install and use an "electronic resource" of any type and description it may prescribe.
- The Finance Bill proposes that, via notification in the official Gazette, the Board can formally compel a taxpayer to act as an "**integrated enterprise**".
- The Finance Bill proposes that the mandated electronic resource and integration framework will be utilized not just for recording sales, but for the comprehensive purposes of receiving, storing, matching, and accessing any information that has a direct or indirect bearing on the tax liability of that person.

Exchange of banking and tax information related to high-risk persons Section 175AA

The Finance Bill proposes to amend clause (a) of sub-section (1) of section 175AA by expanding the scope of institutions and data systems involved in information sharing for cross-matching purposes.

Under the proposed amendment, the Board may share information obtained from tax declarations with the State Bank of Pakistan and scheduled banks in Pakistan, instead of only scheduled banks. Further, the scope of data integration is expanded to include the State Bank's Central Data Repository (by any name), in addition to existing bank data systems used for algorithm-based cross-matching.

The Finance Bill proposes to amend clause (b) of sub-section (1) of section 175AA by expanding the scope of entities required to provide banking-related data to the Federal Board of Revenue.

Under the proposed amendment, the obligation to provide data now extends not only to scheduled banks, but also to the State Bank of Pakistan, microfinance banks, and Electronic Money Institutions (EMIs). These entities are required to provide the final results where banking data shows variance with the algorithmic cross-matching results provided under clause (a).

The amendment also replaces the full stop at the end of the clause with “; and” to maintain continuity with subsequent provisions.

The Finance Bill proposes to insert a new clause (c) in sub-section (1) of section 175AA empowering the State Bank of Pakistan to establish, operate, and maintain a secure centralized virtual repository of banking data.

Under the proposed clause, the State Bank of Pakistan will maintain a centralized system containing information, records, and financial transactions of persons held with scheduled banks, based on unique identifiers prescribed by the Board. This repository will also facilitate collection and provision of data and analytical results in accordance with clauses (a) and (b) of the section.

Audit

Section 177

The Finance Bill proposes to insert new sub-section (6B) in section 177 empowering the Commissioner, during audit proceedings, to require a taxpayer to obtain re-audit or specialized valuations in specified circumstances.

Under the proposed provision, where the Commissioner, having regard to the nature or complexity of accounts, volume of transactions, doubts regarding correctness, multiplicity of transactions, or the specialized nature of business activity, considers it necessary in the interest of revenue, he may—after providing an opportunity of being heard and obtaining prior approval of the Chief Commissioner—direct the taxpayer to:

- have its accounts re-audited by an accountant and furnish a detailed report;
- have its inventory re-valued by a cost accountant and submit a valuation report; and/or
- have actuarial valuations carried out by an actuary and furnish the corresponding report.

The proposed sub-section further provides that such accountant, cost accountant, or actuary shall be nominated by the Commissioner from a panel approved by the Board.

This amendment significantly expands the audit powers of the tax authorities by allowing directed re-audits and professional valuations in complex or high-risk cases. It introduces a more technical and multi-disciplinary approach to audit proceedings, aimed at improving the accuracy of financial reporting and strengthening revenue protection in cases involving complex accounting or valuation issues.

Offence and Penalties

Section 182

1. The Finance Bill proposes to substitute the existing Explanation defining “tax payable” against S. No. 1 in column 3 of the table under section 182(1).

Currently, “tax payable” means the tax chargeable on taxable income determined on the basis of assessment made or deemed to have been made under sections 120, 121, 122, or 122D.

The definition of “tax payable” is expanded to include:

- assessments made or deemed to have been made under section 122E; and
- a comparative benchmark, i.e., the highest tax payable in any of the three immediately preceding tax years for which returns were duly filed.

The amendment broadens the scope of “tax payable” by introducing both an additional assessment mechanism (section 122E) and a historical comparison element. This shift indicates a move towards strengthening the baseline for determining tax-related consequences by ensuring alignment not only with current assessed income but also with past declared tax performance.

2. The Finance Bill proposes to insert a new S. No. 2A in the Table under section 182(1), prescribing a penalty for non-compliance with electronic monitoring and record-keeping requirements imposed under section 174(5).

Under the proposed provision, a penalty of Rs. 1,000,000 shall be imposed for the first default and Rs. 2,000,000 for each subsequent default where a person, required by the Board to install and use a prescribed electronic resource for storing and accessing transaction-related information, fails to:

- install the electronic resource within the specified time;
- use, maintain, or operate the resource in the prescribed manner after installation; or
- tampers with, disables, or circumvents the electronic resource.

The amendment is aimed at strengthening the FBR's digital compliance and real-time monitoring framework by ensuring effective implementation of technology-based record-keeping and reporting systems. The substantial penalties reflect the importance attached to maintaining the integrity and functionality of such electronic resources.

3. The Finance Bill proposes to insert a new S. No. 2B in the Table under section 182(1), prescribing penalties for non-compliance by integrated organisations with the data-sharing and system integration requirements of section 175A.

Under the proposed provision, a penalty of Rs. 500,000 for the first default and Rs. 1,000,000 for each subsequent default shall be imposed on the principal officer of an integrated organisation where such organisation, without reasonable cause, fails to:

- integrate its IT platform with the data interface notified by the Board within the prescribed timeframe;
- share data in the manner and form required under section 175A and the rules made thereunder;
- provide complete, accurate, and timely data;
- designate a focal person as required; or
- rectify any deficiency or non-compliance within thirty days of a written notice issued by the Board

The amendment also introduces an extensive definition of “principal officer”, ensuring that accountability rests with the person exercising overall executive responsibility for the organisation. In cases where responsibility is shared through a board or collegiate structure, liability may attach to the person specifically responsible for regulatory compliance, data governance, or information technology functions.

This provision strengthens the enforcement mechanism supporting the proposed integrated data-sharing regime by imposing personal responsibility on senior management for ensuring timely system integration and compliance with FBR's data reporting requirements. It reflects the government's broader objective of enhancing inter-agency coordination, digital integration, and access to third-party information for tax administration purposes.

4. The Finance Bill proposes to amend S. No. 8 of section 182(1) by enhancing penalties for non-production of records under section 177.

- For failure to comply with the first notice, the penalty is increased from Rs. 25,000 to Rs. 100,000.
- For failure to comply with the second notice, the penalty is increased from Rs. 50,000 to Rs. 200,000.
- For failure to comply with the third notice, the penalty is increased from Rs. 100,000 to Rs. 300,000.

The amendment substantially increases the penalties for non-compliance with audit notices issued under section 177. The enhanced penalty structure is intended to strengthen enforcement of audit proceedings and encourage timely production of books, records, and supporting documents by taxpayers. The significant increase in penalties reflects the government's focus on improving audit effectiveness and deterring delays or obstruction in the conduct of tax audits.

5. The Finance Bill proposes to enhance the penalty under S. No. 10 of section 182(1) relating to making false or misleading statements to Inland Revenue Authorities in any filing, declaration, return, application, or other document under the Ordinance.

Under the proposed amendment, the fixed penalty amount is increased from Rs. 25,000 to Rs. 500,000, and the percentage-based penalty on tax shortfall is enhanced from 50% to 100% of the amount of tax shortfall, whichever is higher.

This amendment significantly strengthens the penalty regime for misreporting or furnishing incorrect information by taxpayers. By increasing both the fixed penalty and the proportion of tax shortfall, the provision aims to deter deliberate misstatements and ensure greater accuracy and integrity in tax filings and disclosures.

6. The Finance Bill proposes to amend S. No. 12 of section 182(1) by increasing the fixed penalty for concealment of income or furnishing of inaccurate particulars during proceedings before any tax authority or the Appellate Tribunal.

Under the proposed amendment, the fixed penalty amount is enhanced from Rs. 100,000 to Rs. 1,000,000, while the alternative penalty of an amount equal to the tax sought to be evaded remains unchanged.

7. The Finance Bill proposes to amend S. No. 15 of section 182(1) by substantially enhancing the penalty for failure to collect or deduct tax or to deposit tax collected or deducted as required under section 160 of the Ordinance.

Under the proposed amendment, the fixed penalty amount is increased from Rs. 40,000 to Rs. 500,000, while the alternative penalty of 10% of the amount of tax remains unchanged. Additionally, a new proviso is introduced providing that where the defaulter is a company, its Principal Officer shall be personally liable to pay an additional penalty of Rs. 500,000 for such offence.

8. The Finance Bill proposes to amend S. No. 35 of section 182(1) by expanding its scope and strengthening the treatment of incomplete or non-compliant submissions of return-related documents.

Firstly, the provision is extended from "company" to any person, including a company, thereby broadening its applicability beyond corporate taxpayers. Secondly, an Explanation

is inserted after paragraph (c) in column (2) to clarify that where audited financial statements are submitted in the form of image files, scanned documents, or password-protected files that are illegible or inaccessible to the Inland Revenue authorities, such submissions shall be deemed to be blank or incomplete documents for the purposes of this entry.

The amendment widens the applicability of the penalty regime to all taxpayers and introduces a stricter interpretation of document submission requirements. It aims to ensure that financial statements and supporting documents are furnished in usable and readable formats, thereby preventing technical or improper submissions from being treated as valid compliance.

9. The Finance Bill proposes to insert a new S. No. 36 in section 182(1) to provide for penalty in cases where a taxpayer claims excess tax credit in respect of withholding tax.

Under the proposed provision, where a person claims tax credit for tax withheld at source in excess of the amount actually deducted and deposited by the withholding agent, as verified through the Board's computerized system or otherwise, the taxpayer shall be liable to a penalty equal to the amount of the excess credit claimed.

This amendment introduces a specific penalty regime to address overstatement or misuse of withholding tax credits. It seeks to ensure that tax credits claimed by taxpayers strictly correspond to verifiable deductions and deposits, thereby strengthening system-based validation and reducing the risk of inflated or incorrect credit claims.

Return not filed within due date

Section 182A

The Finance Bill proposes to amend the proviso to clause (a) of sub-section (1) of section 182A by increasing the surcharge payable for inclusion in the Active Taxpayers List (ATL) where a return is filed after the due date.

Proposed changes in surcharge rates:

- Companies: increased from Rupees 20,000 to 100,000
- Association of Persons (AOPs): increased from Rupees 10,000 to 50,000
- Individuals: increased from Rupees 1,000 to 25,000

This amendment significantly enhances the financial cost of late filing for inclusion in the Active Taxpayers List. The substantial increase in surcharge across all categories—particularly for individuals—reflects a stricter enforcement approach aimed at encouraging timely compliance with return filing obligations.

Disclosure of information by a public servant

Section 216

The Finance Bill proposes to amend clause (ba) and clause (ke) of sub-section (3) of section 216 as follows:

Substitution

Clause (ba)

The existing clause is proposed to be substituted to expand the scope of permissible disclosure of taxpayer information. Under the revised clause, information may be disclosed to auditors, audit mentors, and sectoral experts appointed on contractual basis or engaged through third-party arrangements (including payroll firms) by the Federal Board of Revenue. Such persons shall be required to execute a non-disclosure agreement in the prescribed manner and may assist the authorities specified in section 207(1)(b) to (g).

Amendment

Clause (ke)

The clause is proposed to be amended to expand the list of recipients of anonymized taxpayer data. In addition to recognized universities and international donor agencies, the scope is extended to include international research institutions.

Accordingly, anonymized taxpayer data may be shared with recognized universities, international donor agencies, and international research institutions, subject to prescribed conditions.

Appointment of expert

Section 222

The Finance Bill proposes to amend sub-section (2) of section 222 by inserting the words “audit mentors and sectoral experts” after the first occurrence of the word “auditors”.

This amendment expands the scope of professionals that the Board may appoint under contractual or third-party arrangements for audit functions. In addition to auditors, the Board will now be empowered to engage audit mentors and sectoral experts, thereby strengthening technical capacity, sector-specific expertise, and overall effectiveness of audit proceedings under the Ordinance.

Directorate General (Field Compliance), Inland Revenue

Section 228A

The Finance Bill proposes to insert a new following section 228A after section 228:

228A. Directorate General (Field Compliance), Inland Revenue. — (1) The Directorate General (Field Compliance) Inland Revenue shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, —

- (a) specify the functions and jurisdiction of the Directorate General and its officers; and
- (b) confer the powers of authorities specified in section 207 upon the Directorate General and its officers.”;

The proposed provision formally creates a new Directorate General (Field Compliance) within Inland Revenue, headed by a Director General and supported by Directors, Additional Directors, Deputy Directors, Assistant Directors, and other officers as notified by the FBR.

The Board is empowered, through official notification, to:

- define the functions and jurisdiction of the Directorate General and its officers; and
- confer upon the Directorate General and its officers the powers of tax authorities under section 207 of the Income Tax Ordinance, 2001.

This amendment aims to strengthen field compliance and enforcement by creating a dedicated institutional structure with clearly delegated powers and jurisdictional authority.

Advance tax on motor vehicles

Section 231B

The Finance Bill proposes to amend sub-section (6) of section 231B by omitting clause (c).

The omission removes the special rule for determining the date of first registration of unregistered vehicles acquired from the Federal or Provincial Government. Consequently, such vehicles will no longer benefit from this deemed registration date and will be subject to

the general provisions governing the determination of the date of first registration under section 231B. This amendment may affect the computation of tax where the age of the vehicle is a relevant factor.

Advance tax on TV plays and advertisements

Section 236CA

The Finance Bill proposes to omit Section 236CA of the Income Tax Ordinance, 2001, which currently requires the licensing authority to collect advance tax on:

1. Foreign TV drama serials and dubbed plays certified for screening on landing rights channels; and
2. Advertisements featuring foreign actors certified for screening on such channels.

By omitting Section 236CA, the Finance Bill removes the withholding tax mechanism applicable to foreign TV content and advertisements featuring foreign actors. Consequently, income from such content would no longer be subject to the specific advance tax collection under Section 236CA, although it would remain subject to the general income tax provisions and any other applicable withholding tax rules under the Ordinance.

Uniform

Section 237C

The Finance Bill proposes to insert a new following section 237C after section 236B, empowering the Federal Board of Revenue (FBR) to prescribe, through notification in the official Gazette, rules regarding the wearing of uniforms by officers and staff of the Inland Revenue Service of Pakistan:

“237C. Uniform. - The Board may by notification in the official Gazette, prescribe rules for wearing of uniform by officers and staff of Inland Revenue Service of Pakistan.”

This amendment provides explicit statutory authority to the FBR to introduce and regulate a uniform policy for Inland Revenue Service personnel. The measure appears to be aimed at promoting a distinct institutional identity, enhancing official recognition, and ensuring uniformity and discipline within the service. The detailed requirements, categories of personnel covered, and implementation mechanism will be prescribed through rules notified by the Board.

AMENDMENT IN APPLICABLE TAX RATES

FIRST SCHEDULE PART I Division I Rate of tax for Salaried Individual Clause (2)

SNo	Salary Slab	Existing	Proposed
1	Where taxable income does not exceed Rs. 600,000	0% of the income	0% of the Income
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	1% of the amount exceeding Rs. 600,000	1% 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. 6,000 + 11% of the amount exceeding Rs. 1,200,000	Rs. 6,000 + 11% 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. 116,000 + 23% of the amount exceeding Rs. 2,200,000	Rs. 116,000 + 20% 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. 346,000 + 30% of the amount exceeding Rs. 3,200,000	Rs. 316,000 + 25% of the amount exceeding Rs. 3,200,000
6	Where taxable income exceeds Rs. 4,100,000 but does not exceed Rs. 5,600,000	Rs. 616,000 + 35% of the amount exceeding Rs. 4,100,000	Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000
7	Where taxable income exceeds Rs. 5,600,000 but does not exceed Rs. 7,000,000	NA	Rs. 976,000 + 32% of the amount exceeding Rs. 5,600,000
8	Where taxable income exceeds Rs. 7,000,000	NA	Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000

Division IIB Super Tax on high earning persons The rate of tax under section 4C

Existing Provision

Prior to the proposed amendment, Super Tax under section 4C was applicable on persons earning income above the prescribed threshold, with different rates applicable to various sectors and categories of taxpayers.

Proposed Amendment

The Finance Bill, 2026 proposes to substitute the entire Table of Division IIB of Part I of the First Schedule and rationalize the rates of Super Tax under section 4C as follows:

S.no	Persons / Category	Proposed Rate
1	Banking companies having income exceeding Rs. 150 million	10% of the income
2	Persons whose income is computed under Part I of the Fifth Schedule, exceeding Rs. 150 million, up to the limit specified in Rule 4 thereof	10% of the income
3	Persons deriving income from the sale of any kind of fertilizer, exceeding Rs. 150 million	10% of the income
4	All other persons (other than above categories) having income exceeding Rs. 500 million	8% of the income

The comparison of super tax existing rate with proposed rates are as follows:

S.no	Income under section 4C	Existing	Proposed	
			Banking / Fifth Schedule / Fertilizer	Other Persons
1	Where income does not exceed Rs. 150 million	0% of the income	0% of the income	0% of the income
2	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1% of the income	10%	0% of the income
3	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	1.5 % of the income	10%	0% of the income
4	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	2.5% of the income	10%	0% of the income
5	Where income exceeds Rs. 300 million but does not exceed Rs. 350 million	3.5 % of the income	10%	0% of the income
6	Where income exceeds Rs. 350 million but does not exceed Rs. 400 million	5.5% of the income	10%	0% of the income
7	Where income exceeds Rs. 400 million but does not exceed Rs. 500 million	7.5 % of the income	10%	0% of the income
8	Where income exceeds Rs. 500 million	10 % of the income	10%	8 % of the income

Division VII of Part I of First Schedule:

The Finance Bill proposes, in Division VII of Part I of the First Schedule, to insert the words 'charge and' after the word 'shall' in the third proviso of Division VII, thereby clarifying the scope of the provision.

Division VIIIC of Part I of First Schedule:

The Finance Bill has proposed to completely omit 7E and corresponding amendment has been proposed to omit Division VIIIC.

Division IX of Part I of First Schedule:

Currently, under S. No. 3 of the Table in Division IX of Part I of the First Schedule, a concessional minimum tax rate of 0.25% under Section 113 is applicable to distributors of pharmaceutical products, fast-moving consumer goods (FMCG), and cigarettes.

The Finance Bill proposes to completely omit entry (a) in column (2) against S. No. 3 in the Division IX Table. By omitting this specific entry, the Finance Bill proposes to withdraw the concessional 0.25% minimum tax rate for distributors of pharmaceutical products, fast-moving consumer goods, and cigarettes. Consequent to this deletion, these specific distributors will fall back onto the standard, default minimum tax threshold of 1.25% on turnover under Section 113 of the Ordinance.

Division IC of Part III of First Schedule:

The Finance Bill proposes to introduce a dedicated rate structure under a new Division IC of Part III of the First Schedule to complement the proposed withholding mechanism under Section 151B:

S.no	Description	Rate of Tax
1	Where payout or benefit is made within one year from the date of issuance of the life insurance policy, family takaful certificate or plan	15%
2	Where payout or benefit is made after one year but before completion of seven years from the date of issuance of the life insurance policy, family takaful certificate or plan	10%

Division III Payment for Goods or Services

The rate of tax to be deducted from a payment referred to in clause (b) of subsection (1) of section 153 shall be

Category	Existing	proposed
IT services and IT enabled services	4%	4%
Specified services	6%	7%
Other than specified services	15%	14%
Independent Professional Services such as doctors, lawyers, architects, accountant, software engineers or developers working independently.	15%	15%
Electronic and print media advertising	1.5%	1.5%

Division IIIAA Gain arising on disposal of certain debt securities

The rate of tax to be deducted from gain arising on disposal of certain debt securities of section 151A shall be

Category	Existing	proposed
Gain arising on disposal of certain debt securities	15%	20%

Division IIIAB Withholding Tax on Revenues from Social Media Platforms

The Finance Bill proposes, the insertion of a new Division IIIAB to provide for withholding tax on revenues received from social media platforms under section 154B.

S. No	Category of Taxpayer	Rate of Tax
01	Resident persons whose name appears in the Active Taxpayers' List	5%
02	Non-resident persons	5%

It has further been provided that the tax deducted in respect of non-resident persons shall constitute final tax, whereas in case of resident persons appearing on the Active Taxpayers' List, the same shall be adjustable.

Division IV Exports

The Finance Bill proposes to enhance the rate of withholding tax under sections 153(2) and 154 of the Income Tax Ordinance, 2001 from 1% to 1.25%.

Division IVA Export of Services

Under Section 154A of the Ordinance, export proceeds derived from computer software, IT services, or IT-enabled services (ITeS) are subject to a concessionary withholding tax rate of 0.25%, provided the exporter is formally registered with the Pakistan Software Export Board (PSEB). This specialized, reduced rate is currently scheduled to expire at the conclusion of the Tax Year 2026. Other broad categories of service exports remain subject to the standard 1% withholding tax rate at source.

The Finance Bill proposes to keep the 0.25% reduced rate fully operational through to Tax Year 2029.

Division X Advance Tax on Sale or Transfer of Immovable Property

S.no	Value of Property	For Active taxpayers	
		Existing	Proposed
1	Where the gross amount of the consideration received does not exceed Rs. 50 million	4.5%	2.75%
2	Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs 100 million	5%	
3	Where the gross amount of the consideration received exceeds Rs. 100 million	5.5%	

Division XVIII
Advance Tax on Purchase of Immovable Property

S.no	Value of Property	For Active taxpayers	
		Existing	Proposed
1	Where the fair market value does not exceed Rs. 50 million	1.5%	1.25%
2	Where the fair market value does not exceed Rs. 50 million but does not exceed Rs 100 million	2%	
3	Where the fair market value exceed Rs. 100 million	2.5%	

Division XXVII
Advance Tax on Amount Remitted Abroad Through Credit, Debit or Prepaid Cards

The rate of tax to be deducted from Advance Tax on Amount Remitted Abroad Through Credit, Debit or Prepaid Cards of section 236Y shall be

Category	Existing	proposed
Advance Tax on Amount Remitted Abroad Through Credit, Debit or Prepaid Cards	5%	0.5%

Division XA
Advance tax on TV plays and advertisements

Currently, the collection of advance tax by licensing authorities on certification of foreign TV drama serials, dubbed plays and commercials featuring foreign actors for screening on landing rights channels, and further provided that such tax constitutes minimum tax on income arising therefrom. The Finance Bill proposes the omission of this Division XA relating to advance tax on TV plays and advertisements under section 236CA.

SECOND SCHEDULE
PART-I EXEMPTION FROM TOTAL INCOME

Clause 57 The Finance Bill proposes following amendments in sub-clause (4) of clause (57):

- (i) Substitute name of National Endowment Scholarship for Talent (NEST) with 'Pakistan Education Endowment Fund' against S. No. (xiii) in column (2).
- (ii) Further, new S. Nos. (liii) to (lvii) are proposed to be inserted after S. No. (lii) in column (2), thereby expanding the list of eligible institutions.

(iii)

S.No	Name of Institution
liii	Pakistan Red Crescent Society
liv	Shaheen Foundation (established by Pakistan Air Force)
lv	Dawat-e-Hadiya
lvi	Bahria Foundation (established by Pakistan Navy)
lvii	Sindh Institute of Urology and Transplantation

Clause 78 The Finance Bill proposes to extend the exemption of profit on debt to “any foreign currency account scheme(s)” introduced by State Bank of Pakistan held by non-resident individuals, non-resident association of person and non-resident companies.

Clause 79 The Finance Bill proposed to restrict the scope of tax exemption available on profit on debt earned by non-resident Pakistanis.

Under the existing provisions of Clause (79) of Part I of the Second Schedule to the Income Tax Ordinance, 2001, an individual benefit was granted based on identity status. The law exempted any profit on debt derived from a rupee account, provided the account holder was a non-resident individual holding a Pakistan Origin Card (POC), National ID Card for Overseas Pakistanis (NICOP), or a Computerized National ID Card (CNIC), and the deposits were sourced exclusively from foreign exchange remittances.

The Finance Bill proposed to substitute these identity-based criteria with a scheme-specific requirement.

Specifically, it is proposed that the expression “non-resident individual holding a Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC)” be replaced with “a person maintaining a Non-Resident Pakistani Rupee Value Account 'NRVA' or Non-Resident Business Value Account 'NRBVA' under the scheme introduced by the State Bank of Pakistan.”

(Part II) REDUCTION IN TAX RATES

Clause 5AA The Finance Bill proposed to substitute the word “individual” with the word “person” in Clause (5AA) of Part II of the Second Schedule to the Income Tax Ordinance, 2001. Under tax law, "person" includes individuals, companies, association of persons (AOPs), and foreign entities. Consequently, this concessionary 10% final tax rate will no longer be restricted to foreign individual investors; it will now extend to corporate entities, funds, and businesses investing in Pakistani government securities.

Furthermore, The Finance Bill proposed to substitute the general expression “or a foreign currency account” with specific, formalized SBP account categories. To qualify for the concession, the investments must be routed through:

- A bank account maintained abroad,
- A Non-Resident Rupee Account Repatriable (NRAR), or
- The newly specified Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA), or Non-Resident Rupee Business Value Account (NRBVA).

Clause 24CC The Finance Bill proposes a withholding tax rate of 12% of the gross amount of payment under clause (b) of subsection (1) of section 153 in respect of persons rendering terminal or port services.

Clause 24D The Finance Bill proposed to substitute Clause (24D) of Part II of the Second Schedule to the Income Tax Ordinance, 2001, effectively increasing the

concessionary minimum tax rate and restricting its application across various sectors.

Under the existing provisions, distributors, dealers, sub-dealers, wholesalers, and retailers of a wide array of sectors—including fast-moving consumer goods (FMCG), fertilizer, locally manufactured mobile phones, sugar, electronics, cement, steel, and edible oil—enjoyed a reduced minimum tax rate of 0.25% on their turnover, subject to being active taxpayers. Tier-1 retailers also had to be integrated with the FBR’s real-time sales reporting system.

The Finance Bill proposed to increase this concessionary minimum tax rate from 0.25% to 0.5%. Furthermore, the bill proposes a complete overhaul of the eligible sectors and structural conditions.

Feature	Existing Clause	Proposed Amendment
Minimum Tax Rate	0.25% of turnover	0.5% of turnover
Eligible Sectors	FMCG, Fertilizer, Sugar, Cement, Steel, Edible Oil, Electronics, Locally manufactured mobile phones.	Packaged Food, Fertilizer, Sugar, Electronics, Locally manufactured mobile phones.
Excluded Sectors		Cement, Steel, Edible Oil, and FMCGs
Retailer Condition	Explicitly included Tier-1 retailers (if POS integrated).	Mentions only distributors, dealers, sub-dealers, and wholesalers. (Retailers are excluded from this specific clause).

(Part IV) EXEMPTION FROM SPECIFIC PROVISIONS

Clause 12A The Finance Bill proposes to make rectification in clause regarding exemption from withholding on dividend paid by Transmission Line Projects under Transmission Line Policy 2015.

Clause 47B The Finance Bill proposed to expand the scope of Clause (47B) of Part IV of the Second Schedule to include Section 151A (withholding tax on capital gains from debt securities). This strategic amendment ensures that regulated public savings and institutional investment vehicles—such as mutual funds, approved pension schemes, provident funds, and REITs—are officially exempt from tax deduction at source on their capital gains from debt instruments.

Clause 46A The Finance Bill proposes the omission of Clause (46A) of Part IV of the Second Schedule, which exempted local iron and steel manufacturers from the minimum tax provisions of Section 153(3) on the sale of their manufactured goods. Consequently, these payments will now fall under the standard regime of Section 153(3), making the tax deducted at source a minimum tax liability.

Clause 57 The Finance Bill proposes the omission of Clause (57) of Part IV of the Second Schedule, which provided an exemption from the withholding tax

provisions of Section 153 to large-scale Trading Houses. This exemption was heavily regulated, subject to strict conditions regarding paid-up capital, fixed assets, computerized record-keeping, real-time invoicing, mandatory annual tax audits, and Sales Tax registration. By deleting this clause, the bill removes both the withholding immunity and the associated reduced minimum tax rate under Section 113, bringing Trading Houses completely into the standard corporate tax regime.

Clause 111AB The Finance Bill proposed to amend Clause (111AB) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, by substituting the identity-based criteria with a broader, account-scheme-based framework. Under the existing provision, non-resident individuals holding a POC, NICOP, or CNIC were granted immunity from the harsh provisions of Section 100BA and Rule 1 of the Tenth Schedule (which mandate 100% higher withholding tax rates for persons not appearing on the Active Taxpayers List), provided they maintained a Foreign Currency Value Account (FCVA) or a Non-Resident Rupee Value Account (NRVA).

The Finance Bill proposed to shift this restriction entirely. The exemption will now apply strictly to any transaction executed through the designated State Bank of Pakistan (SBP) specialized banking lines: FCVA, FCBVA, NRVA, or NRBVA.

Clause 114A The Finance Bill proposed to substitute Clause (114A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The amendment expands the scope of immunity from mandatory income tax return filing (Section 114) and National Tax Number (NTN) registration (Section 181). Under the existing provision, this filing immunity was restricted to non-resident individuals holding a POC, NICOP, or CNIC who maintained a Foreign Currency Value Account (FCVA) or a Non-Resident Rupee Value Account (NRVA). The exemption only held true if their Pakistan-source income was limited to specific passive streams (interest, capital gains, and dividends) derived from those accounts.

The Finance Bill proposed to replace the phrase "non-resident individual holding [POC/NICOP/CNIC]" with "a person maintaining..." and explicitly expands the approved banking channels to include business accounts: FCVA, FCBVA, NRVA, or NRBVA.

Feature	Existing Clause	Proposed Amendment
Eligible Category	Non-resident individuals with specific Pakistani identity cards.	Any person (individuals or corporate entities/businesses).
Covered SBP Accounts	FCVA and NRVA only.	FCVA, FCBVA, NRVA, and NRBVA.
Permitted Passive Income Streams	Limited to profit on debt, dividend, and capital gains sourced only from FCVA and NRVA.	Expanded to include profit on debt, dividends, and capital gains sourced from corporate/business channels (FCBVA and NRBVA) as well.

Immovable Property Exception	Capital gains from property acquired via FCVA or NRVA.	Unchanged. Capital gains on property must still be funded strictly via individual accounts (FCVA/NRVA) to avoid filing requirements.
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Clause 115 The Finance Bill proposed to amend Clause (115) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, by doubling the turnover threshold from Rs. 100 million to Rs. 200 million.

This amendment exempts individual traders with an annual turnover of up to Rs. 200 million from acting as "prescribed persons" (withholding agents) under Section 153. By raising this ceiling, the government provides significant administrative relief to mid-sized retailers and wholesalers, eliminating the heavy compliance burden of deducting tax at source from suppliers, filing routine withholding statements, and facing steep penalties for non-compliance.

EIGHTH SCHEDULE RULES FOR THE COMPUTATION OF CAPITAL GAINS ON LISTED SECURITIES

Rule 05 Under the existing Rule 5, if a person preferred not to have their capital gains tax determined and settled automatically by the NCCPL, they could file an irrevocable option to exit the schedule. This opt-out was subject to obtaining prior approval from the Commissioner Inland Revenue in a prescribed manner. Once approved, the automated withholding and netting mechanisms of the Eighth Schedule would not apply, and the taxpayer would instead report and settle their capital gains independently under the standard provisions of the Ordinance.

The Finance Bill proposed to omit Rule 5 of the Eighth Schedule, which previously allowed a taxpayer to opt out of this automated NCCPL-managed CGT regime.

TENTH SCHEDULE RULES FOR PERSONS NOT APPEARING IN ACTIVE TAXPAYER LIST

Rule 1A The Finance Bill proposes the omission of Rule 1A of the Tenth Schedule, which previously prescribed intermediate, tiered withholding tax rates under Sections 236C and 236K for "late filers"—taxpayers appearing on the Active Taxpayers' List (ATL) who had missed their statutory deadlines under Section 118 (or extensions under Sections 119 or 214A). Resultantly, this middle tier is abolished, leaving only two distinct tax rates: one for active filers and a much higher penalized rate for non-filers.

Clause Rule10(y)

Currently, the 100% higher tax rate penalty under the Tenth Schedule does not apply to capital gains derived under Section 37A on the disposal of securities acquired on or after July 1, 2025. The Finance Bill proposes to omit this specific exemption. Consequently, capital gains under Section 37A will now become subject to the standard 100% higher withholding tax rate if the investor does not appear on the Active Taxpayers List (ATL).

SALES TAX

The Bill proposes the following new definitions to facilitate the transition to digital and faceless tax administration:

▪ **Advance Receipt Invoice** **Section (2)(1AA)**

This refers to an invoice in a format specifically notified by the Board to account for payments received prior to the supply of goods.

▪ **Algorithmic Settlement Mechanism** **Section (2) (1AAA)**

This is a digitally operated system provided under Section 26AAA for the automated settlement of tax proceedings.

▪ **Electronic Invoicing System** **Section (2)(9AB)**

This is a prescribed electronic mechanism for the issuance and recording of sales tax invoices in electronic form.

▪ **National Faceless Centre** **Section (2)(17A)**

The central administrative unit defined in Section 32C for conducting tax proceedings in a faceless manner.

▪ **Production Monitoring System** **Section (2)(22)(1A)**

Any technology or system prescribed by the Board for real-time or periodic monitoring of the production and sale of goods.

TIER-1 RETAILER **Section 2(43A)**

The criteria for rationalizing the criteria has been proposed for Tier-1 retailer by prescribing a turnover-based threshold. Under the proposed amended provision, retailers having turnover exceeding Rs. 200 million, whether determined on the basis of declared turnover or turnover worked back from tax deductions under sections 236G and 236H of the Income Tax Ordinance, 2001, shall be treated as Tier-1 retailers.

TIME OF SUPPLY **Section 2(44)**

A clarification has been proposed to be introduced to specify the goods which shall be regarded as “delivered or made available” at the point when they are ready for dispatch from the supplier’s business premises, including factories, warehouses, godowns, or branches. This amendment aims to eliminate ambiguity regarding the timing of a taxable supply, prevent the deferment of sales tax liability through delayed dispatch or invoicing practices, and ensure timely recognition and reporting of taxable transactions.

VALUE OF SUPPLY **Section 2(46)**

New provisions proposes the Board to use valuations from the Pakistan Bureau of Statistics or outsource valuation functions to third parties when it is difficult to ascertain the value of a supply.

TIME AND MANNER OF PAYMENT

Section 6

The Bill proposes a mechanism for payment of sales tax by steel melters and re-rollers on the basis of per-unit electricity consumption. Excess tax paid if any under this regime will be refunded on a monthly basis through Board's integrated automatic refund system.

ADJUSTABLE INPUT TAX

Section 8B

The Bill proposes to empower the Board to reduce or enhance the 90% input tax adjustment limit based on a person's level of compliance with digital integration systems, including POS, e-bilty, and production monitoring

DEBIT AND CREDIT NOTE

Section 9

The Bill proposes insertion of a new proviso to digitize post-supply adjustments through debit and credit notes. The issuance and adjustment of such notes will be governed under a prescribed mechanism, including electronic processing of corresponding tax adjustments.

FACELESS TAX ADMINISTRATION FRAMEWORK

FACELESS AUDIT AND ASSESSMENT

Section 11H

FACELESS JURISDICTION

Section 30AA

NATIONAL FACELESS CENTER

Section 32C

FACELESS APPEALS

Section 45C.

The Bill proposes the introduction of a comprehensive faceless tax administration framework covering audit, assessment, jurisdiction, and appellate proceedings through the establishment of a National Faceless Centre.

Under the proposed regime, audits under sections 25 and 72B, proceedings under section 11E, rectification proceedings under section 57, and appeals under section 45B may be conducted and processed in a faceless manner as prescribed by the Board. Hearings and recording of statements, where required, shall be conducted through electronic means, and the identity of the officers conducting such proceedings shall remain confidential.

The Bill further proposes the establishment of a National Faceless Centre comprising designated Inland Revenue authorities empowered to perform audit, assessment, quality control, and related functions through algorithm-based allocation systems. Jurisdiction may be assigned on an exclusive or concurrent basis, and cases may be transferred between the National Faceless Centre and field formations as determined by the Board.

The framework also enables physical verification of business operations, assets, investments, expenditures, and other relevant matters through field formations where considered necessary. All communications between tax authorities and taxpayers, as well as inter-departmental communications within the National Faceless Centre, shall be conducted electronically.

Overall, the amendments represent a significant shift towards a technology-driven tax administration model aimed at enhancing transparency, standardization, efficiency, and centralized case management through digital and algorithm-based processes.

DE-REGISTRATION, BLACKLISTING AND SUSPENSION OF REGISTRATION.

Section 21

The Bill proposes to strengthen the system integration and enforcement framework through amendments in the existing provisions. In cases of non-compliance with prescribed requirements, including failure to integrate with mandated systems, the registered person may become liable to de-registration, suspension of registration, or blacklisting, as applicable under the law.

TAX INVOICES

Section 23

The Bill proposes that a registered person, while making taxable as well as exempt supplies, shall issue a serially numbered tax invoice, including an advance receipt invoice, bearing a verifiable and unique FBR invoice number at the time of supply of goods. The amendment addresses existing gaps whereby invoices for exempt supplies were not expressly covered and manual invoices were also being treated as valid. These issues have now been incorporated within the invoicing framework through the requirement of verifiable FBR-integrated invoices.

AUDIT OF SALES TAX AFFAIRS

Section 25

The Bill proposes to empower the Commissioner to direct a registered person to undergo a re-audit of accounts by a chartered accountant or a revaluation of inventory by a cost accountant during audit proceedings. This direction may be issued when the specialized nature of the business, the complexity or volume of transactions, or doubts regarding the credibility of accounts necessitate such action in the interest of revenue. This power is subject to providing the taxpayer with a reasonable opportunity to be heard and obtaining prior approval from the Chief Commissioner. The accountant or cost accountant must be nominated by the Commissioner from a panel officially notified by the Board.

It is further provided that, upon the conclusion of the audit and after evaluating the taxpayer's explanations on all raised issues, the Inland Revenue officer shall issue a formal audit report detailing all observations and findings.

Furthermore, the Bill proposes to encourage the voluntary settlement of tax liabilities by offering a significant reduction in penalties even after formal proceedings have begun.

If a registered person opts to deposit the short-paid or evaded tax along with the default surcharge after a show-cause notice has been issued under section 11E, the required penalty will be reduced from the full amount (100%) to fifty percent of the penalty payable under section 33. Upon the deposit of the tax, surcharge, and the relaxed penalty, the show-cause notice shall stand abated, allowing for an expedited conclusion of the case.

DIRECTORATE GENERAL (FIELD COMPLIANCE) INLAND REVENUE Section 30DDDB.

The Bill proposes the establishment of a Directorate General (Field Compliance) Inland Revenue with specified staffing and functions, including powers to exercise jurisdictional authority as may be notified by the Board.

OFFENCES, PENALTIES AND PUNISHMENT

Section 33

The Bill proposes a comprehensive revision of the penalty regime by enhancing monetary penalties, introducing system-based enforcement, and strengthening deterrence against non-compliance and tax fraud.

A. Compliance-Related Penalties

The following penalties have been enhanced for routine compliance failures:

- Late filing of return: enhanced to PKR 50,000, with reduced daily penalty of PKR 2,000 per day if filed within ten days of due date.
- Failure to issue tax invoice: increased to PKR 25,000 or 5% of tax involved, whichever is higher.
- Unauthorized issuance of tax invoice: increased to PKR 50,000 or 10% of tax involved, whichever is higher.
- Failure to deposit tax: enhanced to PKR 50,000 or 5% of tax involved, along with daily default surcharge; continued default may attract imprisonment and/or fine upon conviction.
- Failure to obtain registration: PKR 50,000 or 5% of tax involved, with additional imprisonment upon continued non-compliance.
- Failure to maintain records: enhanced to PKR 50,000 or 5% of tax involved.

B. System Integration and Digital Compliance

- Failure to integrate with Board's systems (monitoring/production tracking): penalty up to PKR 1 million, escalating up to PKR 5 million for continued default.
- In extreme cases of continued non-compliance, sealing of business premises may also be initiated.

C. Fraudulent and High-Risk Transactions

- Issuance of simulated or fictitious invoices: penalty equal to face value of invoice, along with listing on a publicly accessible simulated invoice register.
- Automatic reversal of input tax credit claimed against such invoices by counterparties.

D. Input Tax and System-Based Mismatches

- Input tax mismatch identified through system validation: penalty of 20% of unmatched input tax, in addition to reversal of inadmissible credit and default surcharge.
- Failure to reverse input tax linked to listed fraudulent suppliers: penalty of 20% of unreversed credit, along with reversal and surcharge.

MONITORING OR TRACKING BY ELECTRONIC MEANS

Section 40C

The Bill proposes to further strengthen the production monitoring and enforcement framework for specified goods through enhanced electronic and physical tracking mechanisms. The Board may notify any registered person, class of persons, or goods for which monitoring of production, sales, clearances, stocks, or related activities may be implemented through prescribed electronic or other systems.

Non-compliant goods and the vehicles transporting them are liable to seizure and confiscation.

Sales of Confiscated Goods By Auction

Section 40F

The Bill proposes a new framework for the disposal of confiscated goods through public auction, including auctions conducted via electronic means as prescribed by the Board. The Board shall, for this purpose, comply with the Public Procurement Regulatory Authority Rules, 2014.

The sale proceeds shall be appropriated in a defined order of priority: firstly, to cover the expenses of the auction; secondly, towards payment of applicable sales tax, other taxes, penalties, and surcharges payable to the Federal Government; and thereafter, any remaining balance (except in cases of outright confiscation) shall be payable to the owner upon application within six months of sale, failing which it shall be deposited into the government treasury. It is further provided that in cases where a goods declaration has been filed, the importer's share in the sale proceeds shall not exceed the declared value of the goods.

Overall, the amendment establishes a structured, transparent, and rule-based mechanism for disposal of confiscated goods and distribution of sale proceeds.

ALGORITHMIC SETTLEMENT MECHANISM

Section 47AA

The Bill proposes the introduction of a digitally operated algorithmic settlement mechanism for resolution of tax proceedings at any stage prior to issuance of an order under sections 11D or 11E.

Under the proposed framework, the system may generate a settlement offer for a registered person based on defined parameters, including the stage of proceedings, compliance history, nature and extent of discrepancies, and other criteria as may be prescribed by the Board. The registered person may opt to accept the settlement offer within ten days through the IRIS system and deposit the prescribed amount.

Upon acceptance and payment, the relevant issues raised in notices or audit reports covered under the settlement shall stand abated. However, such settlement shall not preclude proceedings relating to any other issue or discrepancy not covered by the offer, nor shall it affect proceedings for other tax periods.

INDEPENDENT CASE SCRUTINY COMMITTEE

Section 47AAA

The Bill proposes the establishment of an Independent Case Scrutiny Committee/s to regulate litigation decisions in tax matters before appellate fora, including references before the High Court and appeals or reviews before the Federal Constitutional Court or the Supreme Court of Pakistan.

Under the proposed framework, filing of references or appeals by the Commissioner Inland Revenue in specified higher judicial forums shall be subject to prior approval of an Independent Case Scrutiny Committee constituted by the Board.

The Committee shall comprise a retired judge of the Supreme Court of Pakistan, Federal Constitutional Court, or a High Court as Chairman, an experienced tax and commercial litigation advocate nominated from a notified panel, and a senior serving or retired FBR officer (BS-20 or above). The powers, functions, procedures, and remuneration of the Committee members shall be prescribed.

DISCLOSURE OF INFORMATION BY A PUBLIC SERVANT

Section 56B

The Bill proposes to strengthen and refine the confidentiality and data-sharing framework governing information obtained under the Act.

It is reiterated that any information acquired under the provisions of the Act shall remain confidential, and no public servant, expert, or auditor appointed under section 32B shall disclose such information, except as permitted under section 216 of the Income Tax Ordinance, 2001.

A new enabling provision empowers the Board to share sales tax return data of registered persons within the same sector for limited intra-sector comparison and compliance facilitation purposes. Such sharing shall be subject to strict non-disclosure agreements and conditions, limitations, and safeguards as may be prescribed by the Board.

AMENDMENTS TO SCHEDULES OF THE SALES TAX ACT **A. THIRD SCHEDULE – RETAIL PRICE TAXATION**

The Bill proposes expansion of the retail price taxation regime by including additional goods under Third Schedule, thereby shifting them from standard rate taxation (18%) to retail price-based taxation.

Key additions include:

- Vegetable and animal fats and oils (retail packing)
- Sugar confectionery (retail packing)
- Pasta, noodles, couscous and similar preparations (retail packing)
- Sauces, ketchup, condiments and seasonings (retail packing)
- Fermented beverages (retail packing)
- Petroleum waxes and similar products (retail packing)
- Insecticides, herbicides and disinfectants in retail packaging
- Plastic sheets, films and household plastic articles (retail packing)
- Luggage, bags, wallets and similar articles (retail packing)
- Footwear (all types)
- Bathroom accessories, sanitary fittings and fixtures (retail packing)
- Crockery items (retail packing)
- Car and automobile accessories (retail packing)
- Milk and dairy-based preparations (retail packing)
- Hair and cosmetic preparations, perfumes and toiletries (retail packing)
- Household tissue and sanitary paper products
- Jams, jellies and fruit-based preparations (retail packing)
- Household utensils including stainless steel, aluminium, melamine etc.
- Ceramic sanitary ware and allied ceramic products (retail packing)

Impact: These items, previously taxed at the standard rate of 18%, are now brought under retail price taxation regime.

B. SIXTH SCHEDULE – EXEMPTIONS

Table I – Imports or Supplies

- Newsprint, books, and magazines: clarification to include magazines
- Electric vehicles (CKD units): extension of exemption **till 30 June, 2027**
- PIACL aircraft imports: updated HS codes and extended coverage for aircraft, parts, and operational equipment subject to conditions
- Contraceptives: (specified HS codes)
- Female sanitary products (pads, tampons):
- Maritime sector vessels (tankers, dredgers, drilling platforms, etc.): expanded exemption subject to Ministry approval
- Bulletproof vehicles: exemption for specified government and security-related use cases

Table III – Fixed Assets

- Refinery upgradation machinery and equipment: expanded list of eligible capital goods (reactors, compressors, furnaces, pumps, etc.) subject to Ministry approval
- Karachi Shipyard & Engineering Works: exemption for machinery, equipment, raw materials and capital goods subject to certification and customs system integration

C. EIGHTH SCHEDULE – SPECIFIC RATES

- Electric vehicles (4-wheelers): extension of reduced rate regime till 30 June 2027 (1%)
- EV buses and electric trucks: clarification to include electric trucks under reduced 1% rate regime

D. ELEVENTH SCHEDULE – WITHHOLDING TAX ON SUPPLIES

Expansion of withholding scope to include:

- Companies, AOPs, and individuals (excluding surgical exporters)
- Applicable where supplier is a non-active taxpayer: 5% withholding on gross value

Registered toll manufacturers:

- Withholding mechanism introduced at four times tax on conversion charges in case of unregistered person.

D. TWELFTH SCHEDULE – VALUE ADDITION TAX (IMPORT STAGE)

The Bill proposes to tighten the conditions governing exemption from the 3% value addition tax available on import of raw materials and intermediary goods for in-house manufacturing consumption.

Under the existing framework, such imports are exempt from value addition tax at the import stage. The amendment provides that where a manufacturer avails this exemption on the basis that the imported goods are intended for in-house consumption but subsequently supplies such goods in the same state, whether in original packing, repacked, or in bulk, the

manufacturer shall become liable to pay the 3% value addition tax along with default surcharge.

Further, where the exempted goods are not used for in-house consumption and supplies of such goods in the same state exceed 50% of the total imports during a financial year, the person shall not only be liable to pay the value addition tax and default surcharge but may also be subject to prosecution.

Impact: The amendment is aimed at preventing misuse of the exemption available for manufacturing inputs by discouraging trading or onward sale of imported goods claimed to be intended for in-house consumption. It also introduces penal consequences in cases of significant non-compliance.

Federal Excise Duty Act, 2005

The Bill proposes the following new definitions to facilitate the transition to digital and faceless tax administration:

- **Algorithmic Settlement Mechanism** **Section(2)(2A)**
A digitally operated system provided under Section 26AAA for the automated settlement of tax proceedings.
- **Electronic Invoicing System** **Section (2)(9b)**
A prescribed electronic mechanism for the issuance and recording of sales tax invoices in electronic form.
- **National Faceless Centre** **Section (2)(16A1)**
The central administrative unit defined in Section 32C for conducting tax proceedings in a faceless manner.
- **Production Monitoring System** **Section (2)(19b)**
Through this amendment, the Federal Excise Act, 2005 has been aligned with the government's broader digitization and enforcement framework by introducing a legal basis for technology-driven monitoring of excisable goods. The newly inserted definition empowers the FBR to prescribe and implement various production monitoring technologies, including digital tracking systems, automated production counters, sensors, and other electronic monitoring tools for industries subject to Federal Excise Duty (FED).

The Bill proposes following further amendment:

DUTIES SPECIFIED IN THE FIRST SCHEDULE TO BE LEVIED **Section 3**

The Bill proposes to levy and collect a Special Excise Duty in addition to standard duties on specific goods listed in a new Table-IA of the First Schedule. The Board will prescribe the collection mechanism and procedure for this additional duty

NATIONAL FACELESS CENTRE AND APPLICATION OF THE PROVISIONS OF THE SALES TAX ACT, 1990 **Section (7A)**

The Bill proposes a new section (7A) to empower Board to conduct audit and assessment proceedings through a National Faceless Centre. The amendment also extends the relevant provisions of the Sales Tax Act, 1990 relating to faceless audits, assessments, appeals, and algorithmic settlement mechanisms to proceedings under the Federal Excise Act.

INVOICES **Section 18**

The Bill proposes substitution of section 18(1) which require every registered person to issue an invoice, including an advance receipt invoice, for each transaction involving the clearance or sale of goods, including zero-rated goods, or the provision of taxable services. The invoice must bear a verifiable and unique FBR invoice number and contain prescribed particulars in either Urdu or English.

OFFENCES, PENALTIES, FINES AND ALLIED MATTERS. SECTION 19

The Bill proposes amendment in section 19 by substituting sub-section (4), thereby significantly strengthening the offence and penalty framework relating to misreporting and interference with digital monitoring systems.

The substituted sub-section introduces a comprehensive offence covering interference with digital tax enforcement infrastructure. It provides that any person who, without the approval of the Commissioner:

- destroys, damages, erases, or manipulates data stored in or used in connection with any computer, equipment, or system used for electronic monitoring of production, manufacture, sales, clearance, stocks, or related activities; or
- uses any computer or system with intent or effect to reduce, avoid, or evade excise duty liability or to defeat provisions of the Act,

shall be liable for committing an offence under the law.

The scope of this provision expressly extends to production monitoring systems, video analytics systems, and any other prescribed digital enforcement mechanisms, thereby covering both existing and future technological tools used for compliance and oversight.

POWER TO SEIZE – Confiscation of goods subject to federal excise duty –

**Section 26
Section 27**

The Bill proposes to broaden and strengthen enforcement powers under sections 26 and 27 by expanding the scope of both seizure and confiscation provisions to include non-compliance with production monitoring system requirements as an independent ground of action. Previously, enforcement under these provisions primarily focused on counterfeiting, non-payment of duty, and the absence or misuse of tax stamps, banderoles, barcodes, stickers, or other prescribed identification marks.

Under the amended framework:

- Goods that are required to be monitored through a prescribed production monitoring system, but are manufactured, produced, transported, removed, or otherwise dealt with without such monitoring, are now expressly liable to seizure under Section 26; and
- The same category of goods is also liable to outright confiscation and destruction under Section 27, placing non-compliance with digital monitoring requirements at par with counterfeiting and tax stamp violations.

In addition, Section 26 continues to extend seizure powers to the conveyance (vehicles or transport means) used for the movement, carriage, or transportation of such goods, thereby strengthening enforcement across the entire supply chain involved in illicit or unmonitored excisable goods

INDEPENDENT CASE SCRUTINY COMMITTEE

Section 34AA

The Bill proposes the establishment of an Independent Case Scrutiny Committee/s to regulate litigation decisions in tax matters before appellate fora, including references before the High Court and appeals or reviews before the Federal Constitutional Court or the Supreme Court of Pakistan.

Under the proposed framework, filing of references or appeals by the Commissioner Inland Revenue in specified higher judicial forums shall be subject to prior approval of an Independent Case Scrutiny Committee constituted by the Board.

The Committee shall comprise a retired judge of the Supreme Court of Pakistan, Federal Constitutional Court, or a High Court as Chairman, an experienced tax and commercial litigation advocate nominated from a notified panel, and a senior serving or retired FBR officer (BS-20 or above). The powers, functions, procedures, and remuneration of the Committee members shall be prescribed.

MONITORING OR TRACKING BY ELECTRONIC OR OTHER MEANS **Section 45A**

The Bill proposes the substitution of section 45A which represents a comprehensive expansion of the existing track-and-trace regime, shifting it from a primarily tax-stamp-based system to an integrated digital monitoring and technology-driven enforcement framework.

AUDIT **Section 46**

The Bill proposes comprehensive amendment to restructure audit proceedings under the Act, by refining audit powers, introducing electronic audit facilitation, revising voluntary compliance provisions, strengthening post-audit adjudication, and expanding the scope of re-audit and valuation requirements.

1. Audit Authority and Scope – **Sub-sections (1) & (2)**

The amended provisions continue to empower officers of Inland Revenue authorized by the Board or the Commissioner to conduct audit of registered persons after giving prior notice. Additionally, where there is information or sufficient evidence of fraud or duty evasion, the Commissioner may authorize an officer not below the rank of Assistant Commissioner to conduct audit at any time during the year.

2. Audit Findings and Adjudication – **Sub-sections (2A) & (2B)**

After completion of audit, the officer is required to:

- Obtain the registered person's explanation on all audit observations; and
- Issue an audit report containing findings and observations.

Further, audit proceedings may now be conducted electronically, including through video link or other prescribed digital means, enhancing procedural efficiency and reducing physical interface.

Subsequently, the officer may pass an order under section 14, after providing an opportunity of being heard, to:

- Determine duty liability;
- Charge default surcharge;
- Impose penalties; and
- Recover any erroneously refunded amounts.

3. Voluntary Payment and Reduced Penalties – **Sub-section (3)**

The amendment revises the voluntary compliance regime by introducing differentiated incentive thresholds:

- If payment is made before issuance of show cause notice, the taxpayer may settle liability by paying duty, default surcharge, and 25% of the prescribed penalty, with further proceedings abating.
- If payment is made after issuance of show cause notice but before completion of proceedings, the taxpayer may settle liability by paying duty, default surcharge, and 50% of the prescribed penalty, with proceedings similarly abating.

This introduces a structured early-resolution mechanism to encourage voluntary compliance at different stages of proceedings.

4. Commissioner's Power to Direct Re-Audit – **Sub-section (3A)**

A new provision empowers the Commissioner, with prior approval of the Chief Commissioner and after providing an opportunity of being heard, to direct a registered person to undertake:

- **re-audit of accounts by an accountant**, including responses to specific queries; and/or
- revaluation **of inventory by a cost accountant**, with detailed reporting.

Such directions may be issued where concerns arise regarding:

- complexity or volume of accounts;
- doubts regarding correctness of records;
- multiplicity of transactions; or
- specialized nature of business activity.

The professionals (accountants or cost accountants) are to be selected from a panel nominated by the Board.

AMENDMENTS TO SCHEDULES OF THE FEDERAL EXCISE ACT

FIRST SCHEDULE – TABLE I

(A) New / Revised Duty Items

- **Acetate Tow (S. No. 7A)** Duty fixed at **Rs. 10,000 per kg.**
- **E-liquids for electronic cigarettes (S. No. 8A)** Duty fixed at **Rs. 16,500 per kg.**
- Duty on motor vehicles including SUVs, station wagons, racing cars; excluding auto-rickshaws remained same till June 30, 2027
- **Imported** electric vehicles for personal use:
 - Up to PKR 20 million → 0% duty
 - Exceeding PKR 20 million up to 30 million → 30% duty
 - Exceeding PKR 30 million → 40% duty
- Following has been excluded from FED while sugary fruit juices, syrups, and squashes remain within the excise net:
 - Mineral water and aerated water (existing exclusions retained);

- Hydration drinks; and
- Electrolyte-based beverages formulated for rehydration purposes,

subject to a key nutritional threshold: such products must not contain more than 5 grams of sugar per 100 ml and must not include artificial sweeteners.

- Lubricating oil and base oils (S. No. 63) at 5% ad valorem
- Petroleum top naphtha / White spirit / Solvent oil (S. No. 64) at Rs. 80 per litre

(B) Cigarette Pricing Restriction

(New Restriction-2)

A new restriction has been introduced:

- Cigarette manufacturers/importers are prohibited from introducing a **new brand variant at a price lower than the lowest existing price of that brand** on the Budget announcement date of the current financial year.
- The main objective is to prevent **down-trading, price manipulation, and tax avoidance through cheaper variants.**

(C) Table IA Special Excise Duty

The amended entry covers imported motor cars, SUVs, and other motor vehicles (excluding auto rickshaws), principally designed for transport of persons, including station wagons, double cabin 4x4 pickup vehicles, racing cars (under HS Codes 87.03, 8704.2190, 8704.3190) and electric vehicles (4-wheelers) continue to be included in the category up to **30 June 2027.**

The revised duty structure is as follows:

- Engine capacity exceeding 2000cc but not exceeding 3000cc: 40% ad valorem
- Engine capacity exceeding 3000cc: 41% ad valorem

D) Air Travel Excise (Revised Table II Entry)

For **club, business, and first-class air tickets issued on or after 1 July 2026:**

- North, Central, South America and Environs → **Rs. 50,000**
- Middle East & Africa → **Rs. 25,000 / Rs. 40,000 (sub-classified)**
- Far East, Australia, NZ & Pacific → **Rs. 40,000**

→ Introduces **fixed excise levy per ticket based on travel region and class.**

SECOND SCHEDULE

Goods on which duty is collectible under sales tax mode with entitlement for adjustment with sales tax and vice versa

S.No.	Description of Items	Heading/subheading Number
	Imported and locally produced:	
5	(i) Petroleum top Naphtha	2710.1942
	(ii) White Spirit/Mineral Turpentine Oil (MTT)	2710.1240
	(iii) Solvent Oil	2710.1240

THIRD SCHEDULE (conditional exemption)

Exemption introduced for import of bullet-proof vehicles:

- **Federal Government imports for SCO summit logistics**, subject to approvals from:
 - Ministry of Foreign Affairs
 - Ministry of Interior & Narcotics Control

- **Federal or Provincial Governments** for anti-terrorism protection of public functionaries, subject to:
 - Determination by Ministry of Interior
 - Approval of Federal Government