Crowe

Smart decisions. Lasting value.

2026 The Finance Act Tax Handbook



www.crowe.pk



Tax Handbook 2026

An Information Guide

Preface

The handbook examines the key amendments introduced in the tax laws by virtue of the Finance Act, 2026: the Income Tax Ordinance, 2001, the Sales Tax Act, 1990, the Federal Excise Act, 2005, and the Customs Act, 1969, Capital Value Tax, West Pakistan Motor Vehicles Taxation Act, 1958. Where appropriate, practical observations have been included to assist readers in understanding the likely impact of the amendments.

Unless otherwise specified, the amendments discussed in this publication are effective from 1 July 2026.

This handbook should be read in conjunction with the relevant provisions of the applicable Ordinances, Acts, Rules, notifications, and the text of the Finance Act, 2026. The publication is intended to provide general guidance only and does not constitute legal, tax, or professional advice. Readers are encouraged to seek professional advice before taking any action based on the contents of this publication or the amendments discussed herein.

This publication is the property of Crowe Hussain Chaudhury & Co. (Crowe Pakistan) and has been prepared for the information and exclusive use of its clients, business associates, and employees. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means without the prior written consent of Crowe Pakistan.

While every effort has been made to ensure the accuracy and reliability of the information contained in this publication, Crowe Pakistan accepts no responsibility for any errors, omissions, or consequences arising from reliance on the contents hereof. Any inadvertent errors or omissions are regretted.

Lahore

1 July, 2026

Crowe Hussain Chaudhury & Co. (Crowe Pakistan)

www.crowe.pk

Table of Contents

The Income Tax Ordinance, 2001……..…..05

The Sales Tax Act, 1990……..…..27

The Federal Excise Act, 2005……..43

The Customs Act, 1969……..…...52

The Other Laws…….…….. 56

The Punjab Sales Tax on Services Act, 2012…… 61

The Sindh Sales Tax on Services Act, 2011……67

Tax Planning Guide ……78

Withholding Tax Rate Card ……..….88

Insertion of New Definitions and Amendments to Existing Definitions (Section 2)

The Finance Act, 2026 has introduced the following several significant insertions and amendments to the definitions in Section 2 of the Income Tax Ordinance, 2001:

- **Algorithmic Settlement Mechanism:**

A new clause (1AA) defines 'algorithmic settlement mechanism' as the mechanism provided under Section 134B of the Ordinance. This definition formally recognizes the algorithmic settlement framework within the income tax statute, enabling data-driven, pre-order dispute resolution for income tax proceedings in a manner consistent with the similar provisions introduced under the Sales Tax Act and Federal Excise Act through the Finance Act, 2026.

- **Assessment:**

Clause (5), which defines 'assessment', has been amended to include 'faceless assessment' alongside 'amended assessment'. This consequential amendment ensures that faceless assessments conducted under the National Faceless Centre framework are formally recognized within the definition of assessment, giving them the same legal status as conventional and amended assessments for all purposes under the Ordinance.

- **Authorized Shipping Agent**

A new clause (6A) defines 'authorised shipping agent' as a person in Pakistan who is authorised by a non-resident ship owner, charterer or operator to act on its behalf in respect of a vessel. The definition covers an agent who is responsible for receipt, collection, control or accounting of total freight and related amounts, and undertakes documentation, manifest filing or reporting of cargo or total freight including having control, custody or disposal of any freight receipts attributable to such vessel or voyage.

The authorised shipping agent shall furnish the return under Section 143, be treated as the representative of the non-resident under Section 172, be jointly and severally liable for payment of tax and all obligations, proceedings, assessments and recovery in respect of such vessel or voyage, shall apply accordingly. This definition resolves longstanding ambiguity regarding the tax obligations of shipping agents in Pakistan acting on behalf of non-resident shipping companies.

- **Electronically Readable Format**

A new clause (19DA) defines 'electronically readable format' as any digital format in which data is structured so that it can be automatically read, extracted, validated and processed by computer systems without human intervention, including spreadsheet formats such as CSV or XLSX, XML, XBRL, JSON and other structured or semi-structured data formats, but explicitly excluding formats primarily designed for human readability such as PDF, scanned images or photographs. This definition is critical for the Board's ability to mandate electronically readable submissions of financial statements, returns and other documents, enabling automated data processing and analytics.

- **Fast Moving Consumer Goods**

Clause (22A) has been omitted from the definitions that states that fast moving consumer goods” means consumer goods which are supplied in retail marketing as per daily demand of a consumer excluding durable goods.

- **Point of Sales Systems**

Clause (30A), which relates to the integration of Point of Sale systems, has been amended to substitute 'Board through approved fiscal electronic device and software' with 'Board's computerized system through a licensed integrator'. This amendment aligns the income tax POS integration requirement with the licensed integrator framework, ensuring that all POS integrations are channeled through Board-licensed entities rather than through diverse and individually approved devices or software, thereby standardizing and strengthening the POS compliance ecosystem.

- **Licensed Integrator**

A new clause (30D) defines 'Licensed integrator' as having the same meaning as defined under clause (15A) of Section 2 of the Sales Tax Act, 1990. By cross-referencing the Sales Tax Act definition, the amendment ensures a single, unified definition of licensed integrators across both tax statutes, avoiding inconsistency and ensuring that the same entities authorized under the Sales Tax framework are recognized for income tax purposes.

- **National Faceless Centre**

A new clause (35)(1A) defines 'National Faceless Centre' as the National Faceless Centre as defined in Section 227D of the Income Tax Ordinance, 2001. This definition formally anchors the National Faceless Centre concept within the income tax statute, providing the definitional basis for faceless assessments, audits and other proceedings to be conducted through the Centre under the Ordinance.

- **Pakistan Revenue Automation (Pvt.) Limited**

A new clause (42AA) defines 'PRAL' as Pakistan Revenue Automation (Pvt.) Limited, a State-owned enterprise which has been assigned functions related to software development and maintenance of the Board's IT infrastructure. This formal recognition of PRAL within the Ordinance provides a statutory basis for PRAL's role in the digital tax administration ecosystem, enabling the Board to formally engage PRAL for IT-related functions under the Ordinance.

- **Specified Jurisdiction**

The definition of “specified jurisdiction” has been omitted that states any jurisdiction that has committed to automatically exchange information under the Common Reporting Standard within Pakistan.

Surcharge on Salaried Individuals Abolished *(Section 4AB)*

The Finance Act, 2026 has introduced a significant relief measure by abolishing the surcharge on salaried individuals that currently is applicable at the rate of 9% of income tax where salaried income exceeded Rs. 10 million. This amendment provides meaningful relief to high-income salaried individuals and removes a layer of additional taxation that had been introduced through the Finance Act, 2024.

Tax on E-commerce Platforms Made Adjustable for Large Turnover Persons (Section 6A)

The Finance Act, 2025 introduced fixed taxation regime for e-commerce businesses whereby tax was collected @ 1% by the payment intermediary in case payment was made through digital means or banking channels and 2% by courier service in case payment was made through cash on delivery (CoD).

Now, the Finance Act 2026 amended this fixed regime whereby the tax imposed on e-commerce businesses under Section 6A on a person whose turnover in a tax year exceeds Rs. 200 million shall be adjustable. Further, a person having turnover up to Rs. 200 million may opt out of the final tax regime at the time of filing of return for the tax year 2027 and onwards. This amendment provides relief to e-commerce operators and digital platform sellers by allowing them to treat the tax collected at source as adjustable against their total income tax liability rather than as a final discharge, thereby preventing over-taxation of commercially significant digital economy participants.

Tax on Deemed Income from Immovable Property Omitted (Section 7E)

The Act has omitted Section 7E in its entirety, which previously imposed tax on deemed income from immovable property held by persons. Since its introduction, Section 7E had been the subject of considerable controversy and litigation, as it sought to tax notional income rather than actual rental receipts. Furthermore, the Federal Constitution Court (FCC), vide its order dated May 7, 2026, declared this Section ultra vires the Constitution, which has now omitted from the law.

New Tax on Life Insurance Payouts Introduced (Section 7G & Section 151B)

The Finance Act, 2026 has imposed tax on certain payments received from life insurance businesses. For Tax Year 2026 and onwards, tax at below mentioned rates shall be imposed on every individual receiving any payout, benefit, surrender value, maturity proceeds or similar payment from a life insurance business on account of an insurance policy, family takaful certificate, plan or similar arrangement.

The amount liable to tax shall be the gross amount of payout reduced by the aggregate amount of premiums or contributions paid by the policyholder or participant. Every life insurance company shall deduct tax as per the below mentioned rates on making any payouts. The tax deducted under this section shall be treated as final tax on income arising from such payout.

However, this tax shall not apply where the payout or benefit is made:

a) on account of death of the insured or participant;

b) on account of disability of the insured or participant; or

c) after completion of four years from the date of issuance of the policy, certificate or plan.

Sr. 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 four years from the date of issuance of the life insurance policy, family takaful certificate or plan.	10%

Disallowance for Non-Integration with Electronic Systems (Section 21(r))

The Finance Act, 2026 has introduced the disallowance of 3% expenditures claimed by any person who fails to install electronic resource or to act as an integrated enterprise as required by law, subject to the method, manner and procedure as may be prescribed.

This amendment reinforces the Board's digital integration drive across income tax-registered persons, complementing similar integration incentives are introduced under the Sales Tax Act and Federal Excise Act through the Finance Act, 2026.

Rationalization of Withholding Tax Rates in the Nature of Minimum Tax (Section 53A)

The Finance Act, 2026 has empowered the Federal Government to reduce the rate of any withholding tax in the nature of minimum tax as specified in the First Schedule of the Ordinance, other than the minimum tax chargeable under Section 113, by 1%, on the basis of economic viability in cases of persons or class of persons, subject to such restrictions and limitations as the Federal Government may specify.

The Federal Government will place before the National Assembly all amendments made in rates of withholding taxes in the First Schedule, in a financial year under this section.

In this section, the term ‘economic viability‘ includes an anticipated net loss of business income due to tax burden either directly or indirectly due to non-availability of resources to maintain or increase efficiency of the business as certified by a chartered accountant firm listed as Category A, as per rating issued by the State Bank of Pakistan.

This provision addresses a longstanding concern regarding the economic impact of withholding taxes in the nature of a minimum tax on commercially marginal transactions and businesses. By enabling the Federal Government to reduce such rates on economic viability grounds, the provision provides a flexible and responsive mechanism to ensure that minimum tax burdens do not become prohibitive for viable economic activities.

Tax Credit for Integration with Board's Systems Comprehensively Revised (Section 64D)

The Act has substitute Section 64D in its entirety to provide a comprehensive and expanded tax credit framework for integration with the Board's computerized systems. Under the revised Section, any person required under the Income Tax Ordinance, 2001 the Sales Tax Act, 1990 or the Federal Excise Act, 2005 to integrate with the Board's computerized system for real-time production monitoring, or for the recording or reporting of sales or receipts, shall be entitled to a tax credit 10% of the amount actually invested in respect of capital expenditure incurred exclusively on the purchase, acquisition, installation or implementation of equipment, hardware, software or other electronic components directly and exclusively utilized for such integration. The Board may prescribe limitations, conditions and restrictions for availing this credit.

The credit shall not be allowable against operation and maintenance expenses relating to such electronic resource, and shall be available only against normal tax payable under Division I or Division II of Part I of the First Schedule.

Cost of Inherited Immovable Property Clarified (Section 76)

A new sub-section (8A) has been inserted to Section 76, clarifying the cost basis for immovable property acquired through inheritance. Where an individual acquires immovable property through inheritance, the cost of such property in the hands of that individual shall be the fair market value, as defined under this Ordinance, of the property as provided under sub-section (5) of Section 68 of the Ordinance on transfer of such property to the beneficiary. This amendment removes longstanding ambiguity regarding the cost base for inherited properties, which had consequences for capital gains tax calculations upon subsequent disposal.

Transmission of Property on Death - Clarification Extended to Family Settlements (Section 79)

An 'Explanation' has been inserted in clause (b) of sub-section (1) of Section 79 to clarify that transmission of an asset in the nature of immovable property to a beneficiary on the death of a person shall also include the transmission of assets by reason of family settlement amongst family members consequent upon the death of the person. This clarification ensures that family settlements of immovable property arising from the death of a family member are treated on the same footing as direct transmissions through inheritance, preventing any attempt to characterize such settlements as taxable disposals.

Limited Liability Partnership Included in Definition of AOP (Section 80)

The Finance Act, 2026 has inserted the expression 'limited liability partnership' within the definition of Association of Persons (AOPs) for income tax purposes, ensuring that such entities are subject to the same tax treatment as applicable to AOPs under the Ordinance. This resolves the ambiguity that may have existed regarding the tax status of limited liability partnerships.

Streamlining the Taxation of Limited Liability Partnership (Section 92)

The Act has provided that where the income of a limited liability partnership is exempt from tax, the amount received by a member of the limited liability partnership in their capacity as a member shall be shall be included in the income of that member.

Broadening of Special Procedure for Small Traders and Shopkeepers (Section 99B)

Section 99B of the Income Tax Ordinance, 2001 has empowered the Federal Government to prescribe a special procedure for small traders and shopkeepers in respect of payment of tax and filing of return. The provision serves as an enabling mechanism through which simplified taxation procedures may be prescribed for specified classes of taxpayers.

The taxation framework applicable to small traders and shopkeepers has historically been administered through special and simplified mechanisms under Chapter VI of the Ordinance. In this regard, section 99A provides special provisions relating to payment of tax through electricity connections, whereas section 99B empowers the Federal Government to prescribe special procedures for small traders and shopkeepers. These provisions collectively provide the statutory framework for simplified taxation and documentation of the sector.

By virtue of Finance Act, 2026, the Board is empowered to prescribe the rate and payment of tax including fixed tax, filing of return, audit in respect of small traders and shopkeepers. This amendment is intended to provide a formal legal framework for the implementation of simplified fixed tax schemes for traders and shopkeepers.

NCCPL Capital Gains Mechanism Rationalized for Financial Institutions (Section 100B)

By virtue of the Finance Act, 2026, the scope of Section 100B has been expanded. Previously, the National Clearing Company of Pakistan Limited (NCCPL) was authorized to compute, collect, and deposit tax on capital gains arising from the disposal of listed securities, with certain exclusions. The Act now extended the applicability of this mechanism to non-banking finance companies, modarabas, and companies in respect of debt securities, thereby broadening the categories of taxpayers and transactions covered under the Section.

Return Filing - Electronic Format and Algorithmic Settlement Mechanism (Section 114)

The Finance Act, 2026 has introduced three amendments to Section 114. Firstly, sub-section (2A) is substituted to strengthen the electronic filing framework. The revised provision states that a return of income shall be filed electronically on IRIS as may be prescribed by the Board, and the Board may make rules for the process of verification, digital signatures and other matters relating to electronic filing of returns, statements or documents. Significantly, for companies, for Tax Year 2026 and onwards, financial statements accompanying the return shall only be filed in electronically readable file format. This has been introduced to eliminate the practice of attaching PDF or scanned copies of financial statements, requiring instead structured digital formats such as CSV, XLSX, XML or XBRL that can be automatically processed by the Board's systems.

Secondly, the Finance Act, 2026 has allowed voluntary revision of returns for settlement of tax proceedings through algorithmic settlement mechanism. This seeks to clarify that availing of an algorithmic settlement is a recognized basis for filing a revised return, placing it on the same footing as other legitimate grounds for revision.

Third, a new sub-section (6B) has been inserted, providing a special regime for revised returns filed pursuant to an algorithmic settlement. It has introduced that where a taxpayer avails a settlement offered by the algorithmic settlement mechanism, they may file a revised return without requiring the approval of the Commissioner. The taxpayer shall pay only the amount of tax determined by the mechanism and no separate penalty or default surcharge shall be payable. The revised return shall be accompanied by such documents as required under sub-section (6) and shall be treated as a revised return under the section.

These amendments collectively seek to create a seamless and taxpayer-friendly pathway for settling income tax disputes through the algorithmic mechanism, removing procedural barriers and financial disincentives that could otherwise discourage uptake of this important pre-litigation settlement tool.

Faceless Audit and Assessment Introduced (Section 122E)

The Finance Act, 2026 has inserted a new Section 122E to introduce faceless audit and assessment under the Income Tax Ordinance, 2001. Through this amendment, the audit, under Sections 177 or 214C, any order under Section 111, any assessment under Part and rectification under Section 221, may be conducted in a faceless manner as may be prescribed by the Board, in respect of such persons, class of persons, incomes or cases as the Board may specify.

The provisions of Section 177 are continued to apply to faceless audits. Where an opportunity of being heard is to be provided, or a statement under oath is to be obtained, these shall be done through E-hearing under Section 227E of the Ordinance. Importantly, the identity of the officer, including facial and voice identity, conducting the E-hearing shall be kept strictly confidential. This landmark reform seeks to eliminate direct physical interaction between taxpayers and tax officers, significantly reducing opportunities for corrupt practices and promoting consistency, objectivity and transparency in audit proceedings.

Faceless Appeals (Section 129A)

The Finance Act, 2026 has inserted a new Section 129A to extend the faceless framework to the appellate process. Any appeal filed under Section 127 may be processed through the National Faceless Centre as may be prescribed by the Board. The provisions of Sections 127, 128 and 129 will be applicable to such faceless appeals accordingly.

Independent Case Scrutiny Committee Established (Section 133A)

The Finance Act, 2026 has inserted a new Section 133A establishing an Independent Case Scrutiny Committee as a mandatory pre-condition for filing references or appeals before the superior courts. It states that a reference under Section 133 before the High Court, or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan, shall only be filed by the Commissioner Inland Revenue after approval by the Committee as constituted by the Board.

The Committee has to comprise: a retired judge of superior judiciary as Chairman; an advocate with not less than fifteen years of experience in tax and commercial litigation; and a senior serving or retired FBR officer in BS-20 or above.

Further, the committee may co-opt a chartered accountant as a non-voting member, whenever required.

The Committee's recommendations are binding upon the Commissioner and no legal proceedings shall lie against its members.

Notwithstanding anything contained in this Ordinance or the Limitation Act, 1908 (IX of 1908), for purposes of determining whether a matter referred under Section has been filed within time, the period from the date from which time begins to run to the date on which the committee gives it approval, which period shall in each case be certified by the chairman, shall stand excluded. In cases where time has already begun to run when this section comes into force the period as aforesaid shall commence from the date on which the Finance Act, 2026 comes into force.

This amendment seeks to reduce unmeritorious government litigation before superior courts, thereby protecting taxpayer rights and optimizing judicial resources.

Alternative Dispute Resolution - Rectification and Committee Vacancy Provisions Enhanced (Section 134A)

The Finance Act, 2026 has empowered the ADR committee to rectify any mistake apparent from the record on its own motion, or any mistake brought to its notice by the taxpayer or the Commissioner, within thirty days of the receipt of the committee's decision by the taxpayer or the Commissioner.

Further, the amendment address the practical challenge of committee members becoming unavailable during proceedings. In case any member of the committee is unavailable or unable to perform his functions for any reason, the Chairman of the Board shall, within fifteen days, appoint another person to fill such vacancy and the reconstituted committee shall continue to function on the same terms

Upon such reconstitution, the committee shall be allowed a further period of sixty days to conclude the proceedings. Consequently, the total period available to the reconstituted committee, including the period already consumed prior to reconstitution, shall in no case be less than ninety days from the date of original constitution.

Algorithmic Settlement Mechanism (Section 134B)

The Finance Act, 2026 has empowered FBR to establish a digitally operated algorithmic settlement mechanism for settlement of tax proceedings at any stage before any assessment or amendment of assessment under Sections 121, 122 or 122E, through revision of return under sub-section (6) of Section 114.

It is said that where the mechanism calculates and presents a settlement offer to a taxpayer for voluntary revision of return, the taxpayer may accept the offer within ten days by: (a) accepting the settlement offer on IRIS; (b) depositing the settlement offer amount along with a revised return; and (c) revising the relevant return of income to incorporate the settled amount.

The system-generated settlement offer will be calculated on the basis of the stage of proceedings at which settlement is offered, the taxpayer's compliance history as maintained in FBR's data, the nature and character of the discrepancy, including whether it involves a valuation or legal interpretation dispute, unexplained income or assets, or concealment and any other basis the Board may consider relevant to ensure revenue adequacy and equitable treatment of taxpayers.

Upon acceptance of the offer and revision of the return, all issues confronted to the taxpayer through a notice of audit selection, notice under Section 111, audit report under sub-section (6) of Section 177, or a notice under sub-section (9) of Section 122 shall stand abated. However, such revision shall not preclude proceedings in respect of any other issue or discrepancy not covered by the settlement offer, nor shall it affect proceedings for any other tax year.

This is a landmark amendment that seeks to harness technology and data analytics for pre-litigation resolution of income tax disputes. It is expected to significantly reduce pendency of tax cases and the associated costs for both taxpayers and the revenue authority.

Authorised Shipping Agent Formally Integrated *(Section 143)*

The Finance Act, 2026 has introduced several amendments to Section 143 to formally include the authorised shipping agent as newly defined in clause (6A) of Section 2 into the shipping income tax framework.

It has been introduced to include the authorised shipping agent alongside the master of a ship as a person required to furnish a return under this section. Only one return shall be furnished for each vessel or voyage, covering total freight and all related amounts attributable to the ship; and introduced that the master of the ship or the authorised shipping agent responsible for manifest filing and freight handling in respect of a vessel shall furnish the return, and no other person shall furnish such return for that vessel or voyage. These amendments seek to eliminate the filing of multiple returns for the same vessel or voyage and clarify the single point of responsibility for compliance.

Further, it include the authorised shipping agent alongside the master of the ship for the purposes of tax deduction and payment. Sub-section (3) has been amended to make the authorised shipping agent jointly and severally liable for tax obligations in respect of the vessel or voyage. Sub-section (4) has been amended to include the authorised shipping agent in the provisions relating to the non-resident ship owner, charterer or operator.

Sub-section (5) has been amended to require, as a pre-condition for clearance, that electronic confirmation of filing of the return and payment of tax under this section has been received in the prescribed manner, in addition to the existing requirements. This is to ensure that digital compliance verification is embedded in the clearance process for shipping. Sub-section (6) has been amended to include the authorised shipping agent in its scope.

These amendments collectively seek to close a significant compliance gap in the taxation of non-resident shipping income by formalizing the role of the authorised shipping agent as a jointly and severally liable representative of the non-resident ship owner.

Advance Tax on Exporters Abolished (Section 147)

The Finance Act, 2026 has abolished the advance tax at the rate of 1% previously collected on the realization of export proceeds. This measure is expected to provide relief to exporters by reducing their upfront tax burden and improving cash flow.

Capital Gains Withholding on Foreign Currency Accounts Rationalized (Section 152 & 1st Schedule, Part III, Division II)

The Act has rationalized the withholding tax on capital gains arising from investments through foreign currency and non-resident rupee value accounts. It has introduced that every banking company maintaining a 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) shall deduct tax from capital gains arising on the disposal of debt instruments and Government securities and certificates including Shariah compliant variants invested through such accounts at the rate specified in Division II of Part III of the First Schedule.

The rate of tax to be deducted is as follows:

a) The rate of tax to be deducted under sub-section (1AAA) of section 152 shall be 10% of the gross amount paid.

Withholding Tax on Social Media Revenues (Section 154B & 1st Schedule, Part III, Division IIIAB)

The Finance Act, 2026 has introduced withholding tax on revenues received from social media platforms. Every banking and non-banking financial institution shall, at the time of credit or receipt of any amount in an account of a person representing revenues received from social media platforms shall deduct tax at the below mentioned rates.

The Act defines digital content creators and social media influencers as any individual or entity deriving income from creation, publication or monetization of content on platforms including YouTube, Facebook, Instagram and TikTok etc., and shall be covered by this provision. The tax will be minimum tax for resident persons and final tax for non-resident persons without a permanent establishment in Pakistan. The Board has been empowered to prescribe rules for implementation, identification and reporting mechanisms.

The rate of tax to be deducted on revenues received from Social Media Platforms is as follows:

a) 5% in case of resident persons whose name appears in the Active Taxpayers' List - (Minimum Tax)

b) 5% in case of non-resident persons - (Final Tax)

Final Tax Regime for Non-Residents Social Media Content Creators (Section 169)

The Finance Act, 2026 has formally recognized the tax deducted under Section 154B in respect of non-resident persons as a final discharge of tax liability under the final tax regime provisions of Section 169. This ensures that the final tax treatment for non-resident social media content creators and influencers is categorized within the final tax framework of the Ordinance.

Exemption Certificate — Streamlined Issuance for Eligible Persons *(Section 159)*

The Finance Act, 2026 has streamlined the issuance of exemption certificates from withholding tax. Under the said amendment, a Collective Investment Scheme or Real Estate Investment Trust (REIT) Scheme that has distributed ninety percent or more of its accounting income to unit holders, certificate holders, or shareholders in accordance with clause (99) of Part I of the Second Schedule for the preceding three consecutive years shall be eligible for the issuance of a withholding tax exemption certificate for the entire tax year. In case a person who has started business for the first time, the certificate under sub-section (1) shall be issued on the basis of an undertaking furnished to the Commissioner that the person shall distribute ninety percent of his accounting income to the unit or shareholders for the tax year.

Further, a Non-Profit Organization (NPO) obtaining approval under Section 2(36) of the Ordinance for a tax year shall likewise be eligible for the issuance of an exemption certificate covering the whole of that tax year. The amendment is aimed at facilitating eligible entities by providing certainty regarding their withholding tax status and reducing administrative compliance requirements.

Financial Transaction Data Sharing by Banks *(Section 165AB)*

The Finance Act, 2026 has established a comprehensive framework for algorithmic cross-matching of tax and banking data. It is said that every banking company and Electronic Money Institution (EMI) shall electronically upload to the Central Data Hub information in respect of account holders having deposits or withdrawals exceeding Rs. 100 million during a reporting period in any or all of their bank accounts, specifying particulars of deposits or withdrawals, opening and closing balances, peak credits and total credits during the reporting period.

The shared information shall be digitally processed and shall not be visible to any Income Tax Authorities during the cross-matching process. In case of gross mismatch, the digital system of the Board shall feed the information into the Compliance Risk Management (CRM) system and further proceedings shall be conducted by the National Faceless Centre. The Board will ensure strict confidentiality of all information shared by banks, except as provided in this section.

Key definitions that are introduced under this section include:

Reporting Period: two six-monthly periods per financial year (July - December and January - June), with upload deadlines of 31st January and 31st July respectively.

Accounts: bank accounts maintained by a person including current deposits, call deposits, saving deposits, fix deposits, term deposits, or any other such deposits by whatever name called.

Peak Credits: the highest credit balance in all accounts on any given date during the reporting period.

Central Data Hub: a virtual data repository maintained by the Board through PRAL.

Compliance Risk Management (CRM): a computer programme for identification of compliance risks including understatement of sales, overstatement of expenses and under-reporting of income, assets and transactions.

Board's Power to Mandate Electronic Resource and Integration *(Section 174)*

The Act has been introduced to comprehensively strengthen the Board's power to mandate electronic resource installation and digital integration. Under the revised provision, the Board may require any person or class of persons to install and use an electronic resource of such type and description as may be prescribed, or to act as an integrated enterprise through a notification in the official Gazette, for the purpose of receiving, storing, matching and accessing information regarding any transaction that has a bearing on the tax liability of such person.

Exchange of Banking and Tax Information Framework Expanded *(Section 175AA)*

The Finance Act 2026 empowers the SBP to establish, operate and maintain a secure centralized virtual repository of banking data, comprising information, records and financial transactions of persons maintained by scheduled banks on the basis of unique identifiers, as may be prescribed by the Board and collect and provide data and results.

Special Audit Powers of Commissioner Enhanced *(Section 177)*

The Finance Act, 2026 has significantly enhanced the special audit powers of the Commissioner. Under the amended provisions, where the Commissioner, during the course of audit proceedings, considers it necessary due to the nature and complexity of the accounts, the volume or multiplicity of transactions, doubts regarding their correctness, the specialized nature of the business, or in the interest of revenue, he may, after providing the taxpayer with a reasonable opportunity of being heard and obtaining the prior approval of the Chief Commissioner, direct the taxpayer to obtain any or all of the following:

- Accounts re-audited by an accountant, with a report duly signed and verified including answers to specific queries required by the Commissioner.
- Inventory re-valued by a cost accountant, with a duly signed and verified report including answers to specific queries required by the Commissioner.
- Actuarial values in the accounts determined by an actuary, with a duly signed and verified report including answers to specific queries required by the Commissioner.

The accountant, cost accountant or actuary for this purpose shall be nominated by the Commissioner from a panel of such accountants, valuers or actuaries nominated by the Board.

Penalties Substantially Enhanced *(Section 182)*

The Finance Act, 2026 introduced significant enhancements to the penalties as mentioned below:

S. No.	Offence	Previous Penalty	Revised Penalty
1	Failure to furnish return/statement within due date - 'tax payable' clarified	As per existing formula	Higher of: tax under assessment (Section 120/ 121/ 122/ 122D/ 122E) OR the tax payable for the immediately preceding tax year for which a return of income was duly filed.
8(a)	Failure to maintain records as required	25% of tax payable	100% of tax payable
8(b)	Failure to maintain records - subsequent defaults	50% of tax payable	200% of tax payable
8(c)	Failure to give notice of business discontinuance	Rs. 1,000	Rs. 3,000
10	Obstruction of tax officer in performance of functions	Rs. 25,000 or 50% of tax involved	Rs. 500,000 or 100% of tax involved
35	Furnishing audited financial statements	Applicable to companies only	Expanded to all persons including companies; image files, scanned or password-protected illegible files deemed blank/incomplete

Insertion of Penalty Entries *(Section 182)*

The Finance Act, 2026 has inserted the following new entries in the Section 182 penalty table:

S. No.	Offence	Penalty
2A	Where any person, having been required under sub-section (5) of Section 174 to install and use an electronic resource, fails to install it within the specified time; or having installed it, fails to use, maintain or operate it in the prescribed manner; or tampers with, disables or circumvents such electronic resource.	1% of the turnover or Rs. 1,000,000 for the first default whichever is higher and Rs. 2,000,000 for each subsequent default
2B	Where any integrated organisation under Section 175A fails without reasonable cause to: (a) integrate its IT platform within the specified time; (b) share required data; (c) provide complete, accurate and timely data; (d) designate a focal person; or (e) remedy a notified deficiency within 30 days. Penalty is imposed on the 'principal officer' — the person holding overall executive responsibility (Governor, Chairman, CEO, DG, MD, Secretary or PAO). In a collegiate structure, the person responsible for regulatory compliance, data governance or IT bears liability. A vacancy or absence of formal designation does not relieve the person actually performing these functions.	Rs. 500,000 for the first default and Rs. 1,000,000 for each subsequent default — imposed personally on the principal officer
36	Where a person claims income tax credit for tax withheld at source in excess of the amount verifiably deducted and deposited by the withholding agent, as confirmed through the Board's computerized system or otherwise.	Penalty equal to the full amount of excess credit claimed

Enhancement of Active Taxpayer List (ATL) Surcharge (Section 182A)

The Finance Act, 2026 has substantially enhanced the surcharge on late filing of Income Tax Return as applicable as per below:

Para	Category	Previous	Revised
(i)	ATL surcharge in case of company	Rs. 20,000	Rs. 100,000
(ii)	ATL surcharge in case of AOP	Rs. 10,000	Rs. 50,000
(iii)	ATL surcharge in case of Individual	Rs. 1,000	Rs. 25,000

The conditions of payment of surcharge shall not apply to an individual who furnishes an undertaking before the Commissioner by declaring that he shall not purchase, acquire, or otherwise obtain ownership or beneficial interest in any property for a period of six months commencing from the date of furnishing such undertaking in such form as may be prescribed.

Faceless Mechanism Introduced (Section 209B)

The Finance Act, 2026 has introduced a National Faceless Centre (NFC) framework under which tax functions and powers may be exercised by Inland Revenue authorities through an algorithm-based allocation system developed by the FBR.

The provision allows the NFC to exercise either exclusive or concurrent jurisdiction. Where jurisdiction is concurrent, matters not assigned to the NFC will continue to be handled by the Commissioner having territorial jurisdiction. The FBR also retains the authority to transfer cases between the NFC and field formations when considered necessary.

To facilitate proceedings, the NFC may seek physical verification through field officers, while the allocation of such verification may also be made through an automated system. A notable feature of the new amendment is the confidentiality of the identity of officers handling cases within the NFC, thereby reinforcing the faceless nature of the regime.

Further, the introduction is to protect proceedings conducted by the NFC from being challenged solely on jurisdictional grounds or due to the confidentiality of the officer's identity. Overall, the measure represents a significant shift towards technology-driven tax administration aimed at improving consistency, reducing discretion, and streamlining tax compliance and enforcement processes.

Enhancing the Scope of Disclosure of Information (Section 216)

The said amendment to Section 216 expands the scope of persons to whom taxpayer information may be disclosed for official purposes. Under the revised provision, taxpayer information may be shared with auditors, audit mentors, and sectoral experts engaged by the Federal Board of Revenue (FBR) on a contractual basis or through third-party service providers, including payroll firms.

Establishment of National Faceless Centre (Section 227D)

The Act empowered the FBR to establish a National Faceless Centre (NFC) for conducting tax proceedings through a technology-driven and paperless framework. The Centre will consist of various Inland Revenue authorities and support staff, with jurisdictions and functions allocated through algorithm-based systems developed by the FBR.

FIRST SCHEDULE AMENDMENTS

Reduction in Tax Rates for Salaried Individuals (Division I of Part I of the First Schedule)

The Finance Act, 2026 has restructured the tax slabs applicable to salaried taxpayers through the introduction of additional income bands and a reduction in marginal tax rates applicable to lower, middle and upper-middle income brackets. The threshold for application of the highest marginal tax rate has also been enhanced.

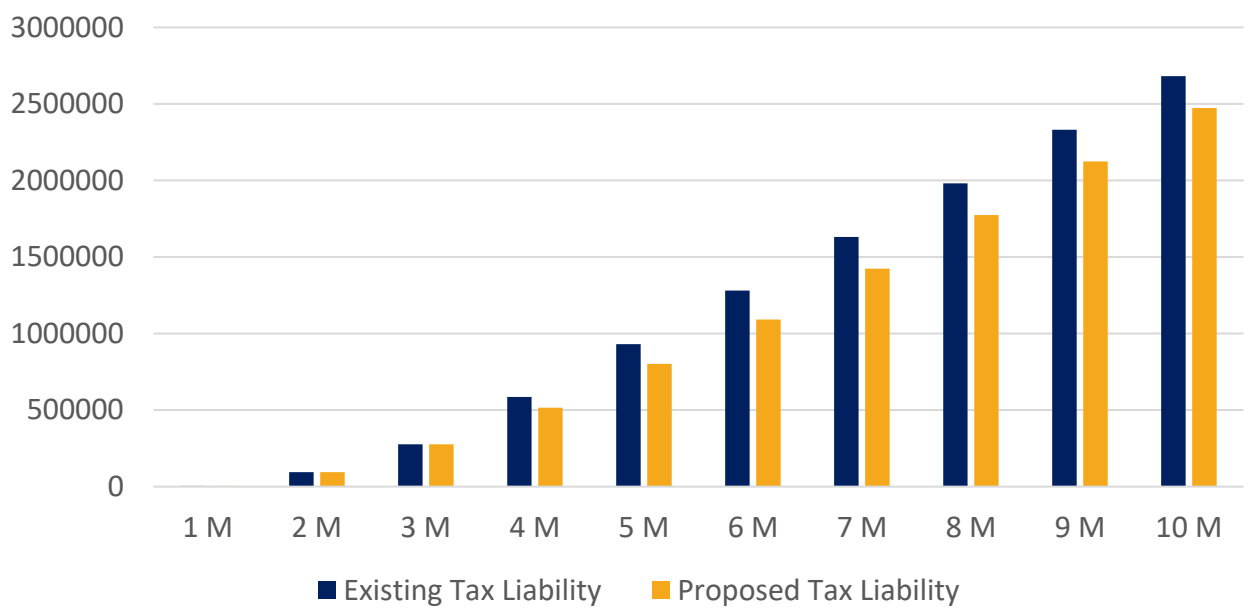
Taxable Income	Previous Rate	Revised Rate
Where taxable income does not exceed Rs. 600,000	Nil	Nil
Exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	1% of amount exceeding Rs. 600,000	1% of amount exceeding Rs. 600,000
Exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs. 6,000 + 11% of amount exceeding Rs. 1,200,000	Rs. 6,000 + 11% of amount exceeding Rs. 1,200,000
Exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs. 116,000 + 23% of amount exceeding Rs. 2,200,000	Rs. 116,000 + 20% of amount exceeding Rs. 2,200,000
Exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 346,000 + 30% of amount exceeding Rs. 3,200,000	Rs. 316,000 + 25% of amount exceeding Rs. 3,200,000
Exceeds Rs. 4,100,000 but does not exceed Rs. 5,600,000	Rs. 616,000 + 35% of amount exceeding Rs. 4,100,000	Rs. 541,000 + 29% of amount exceeding Rs. 4,100,000
Exceeds Rs. 5,600,000 but does not exceed Rs. 7,000,000		Rs. 976,000 + 32% of amount exceeding Rs. 5,600,000
Exceeds Rs. 7,000,000		Rs. 1,424,000 + 35% of amount exceeding Rs. 7,000,000

The Finance Act, 2026 has also abolished the surcharge on salaried individuals that was applicable at the rate of 9% of income tax where salaried income exceeds Rs. 10 million.

Illustrative Impact of Tax Relief for Salaried Individuals

Annual Taxable Salary	Previous Tax Liability	Revised Tax Liability	Tax Saving
Rs. 1 Million	Rs. 4,000	Rs. 4,000	-
Rs. 2 Million	Rs. 94,000	Rs. 94,000	-
Rs. 3 Million	Rs. 276,000	Rs. 276,000	-
Rs. 4 Million	Rs. 586,000	Rs. 516,000	Rs. 70,000
Rs. 5 Million	Rs. 931,000	Rs. 802,000	Rs. 129000
Rs. 6 Million	Rs. 1,281,000	Rs. 1,092,000	Rs. 189,000
Rs. 7 Million	Rs. 1,631,000	Rs. 1,424,000	Rs. 207,000
Rs. 8 Million	Rs. 1,981,000	Rs. 1,774,000	Rs. 207,000
Rs. 9 Million	Rs. 2,331,000	Rs. 2,124,000	Rs. 207,000
Rs. 10 Million	Rs. 2,681,000	Rs. 2,474,000	Rs. 207,000

Annual taxable salary (PKR) — Salaried individuals



Rationalization of Super Tax (Division IIB of Part I of the First Schedule)

The Act has provided the relief from super tax under section 4C by generally exempting income up to Rs. 500 million from its scope. Furthermore, the super tax rate applicable to income exceeding Rs. 500 million has reduced from 10% to 8%. However, this concession will not be available to banking companies, Petroleum and fertilizer sectors having income exceeding Rs. 150 million.

The same is summarized in the below table:

Sr. No.	Person / Sector	Previous	Revised
1.	Banking companies having income exceeding Rs.150 million	1% - 10%	10%
2.	Petroleum sector entities having income exceeding Rs. 150 million	1% - 10%	10%
3.	Persons engaged in deriving income from sale of fertilizer having income exceeding Rs. 150 million	1% - 10%	10%
4.	Income of a person other than those mentioned in S. No. 1, 2 and 3 and exceeding Rs. 500 Million	10%	8%
5.	Income of a person other than those mentioned in S. No. 1, 2 and 3 and below Rs. 500 Million	1% to 7.5%	0%

The provisions of section 4C shall not apply to a person if the export proceeds realized for the tax year represent more than eighty percent of his total turnover for the tax year.

Rationalization of Tax Collection from Exporters (Division IV of Part III of the First Schedule)

The Finance Act, 2026 has reduced the aggregate incidence of tax collection from exporters by reducing the overall collection mechanism applicable to export proceeds. This is intended to improve liquidity available to exporters and enhance the competitiveness of Pakistani exports in international markets.

Particulars	Previous	Revised
Aggregate tax collection on export proceeds	1% (minimum tax) 1% (advance tax)	1.25% (minimum tax)

By virtue of the amendment, the tax collection applicable to export proceeds has been enhanced from 1% to 1.25% being minimum tax, and abolition of advance tax @ 1%, thereby lowering the upfront tax cost borne by exporters and improving cash flow available for business operations and export expansion.

Extension of Reduced Tax Rate for IT and IT-Enabled Services Exports (Division IV of Part III of the First Schedule)

The First Schedule presently provides a concessionary tax regime for exporters of Information Technology (IT) and IT-enabled services.

The Finance Act, 2026 has extended the reduced tax rate available to exporters of IT and IT-enabled services for a further period.

Particulars	Previous	Revised
Reduced tax rate for IT and IT-enabled services exports	0.25% up to Tax Year 2026	Extended up to Tax Year 2029

By virtue of the said amendment, exporters operating in the IT and IT-enabled services sector would continue to avail the reduced withholding tax regime up to Tax Year 2029, thereby providing certainty and continued fiscal support to Pakistan's growing technology sector.

Reduction in Advance Tax on Foreign Remittances Through Debit, Credit and Prepaid Cards (Division XXVII of Part IV of the First Schedule)

The Finance Act, 2026 has substantially reduced the rate of advance tax applicable on foreign remittances and foreign currency transactions undertaken through debit cards, credit cards as below:

Particulars	Previous	Revised
Advance tax on foreign remittances through debit, credit and prepaid cards	5%	0.5%

Payments for Services (Division III of Part III of the First Schedule)

The Finance Act, 2026 has amended paragraph (2) of Division III of Part III of the First Schedule relating to deduction of tax on payments for services.

Description	Previous Position	Revised Position
Specified services including Specified services of transport, freight forwarding, air cargo, courier, manpower, hotel, security guard, software development, tracking, advertising (other than by print or electronic media), share register, engineering including architectural, warehousing, services rendered by asset management company, data services, telecommunication Infrastructure, car rental, building maintenance services and services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services, Oilfield, telecommunication, collateral management, travel and tour, REIT management services, services rendered by National Clearing Company of Pakistan Limited.)	6%	7%
Independent professional services such as doctors, lawyers, architects, accountants, software engineers or developers working independently	15%	15%
Advertising services to electronic and print media	1.5%	1.5%
Companies for rendering or providing terminal and port operating services	15%	12%
Services other than those covered in sub-paragraphs (i), (ii), (iii) and (iv)	15%	14%

Gain Arising on Disposal of Certain Debt Securities
(Division IIIAA of Part III of the First Schedule)

Division IIIAA of Part III of the First Schedule prescribes the rate of tax to be deducted on gain arising on disposal of certain debt securities under section 151A.

Description	Previous	Revised
Gain arising on disposal of certain debt securities	15%	20%

By virtue of the said amendment, the rate of tax to be deducted on gains arising on disposal of certain debt securities has been increased from 15% to 20%. This enhancement will increase the withholding incidence on gains from debt securities and may affect investors holding such instruments through custodial arrangements.

PART IV OF THE FIRST SCHEDULE

Advance Tax on Sale or Transfer of Immovable Property
(Division X of Part IV of the First Schedule)

Division X of Part IV of the First Schedule prescribes the rate of advance tax collectible under section 236C on sale or transfer of immovable property.

Fair Market Value	Previous Rate	Current Rate
Up to Rs. 50 million	4.5%	2.75%
Exceeding Rs. 50 million but not exceeding Rs. 100 million	5%	
Exceeding Rs. 100 million	5.5%	

By virtue of the said amendment, Division X is has been substituted and a uniform rate of advance tax of 2.75% is to be collected under section 236C on the gross amount of consideration received from the sale or transfer of immovable property. The said amendment replaces the existing rate structure with a single rate applicable to all transactions falling within the scope of section 236C.

Advance Tax on Purchase of Immovable Property
(Division XVIII of Part IV of the First Schedule)

Division XVIII of Part IV of the First Schedule prescribes the rate of advance tax collectible under section 236K on purchase of immovable property.

Fair Market Value	Previous Rate	Current Rate
Up to Rs. 50 million	1.5%	1.25%
Exceeding Rs. 50 million but not exceeding Rs. 100 million	2%	
Exceeding Rs. 100 million	2.5%	

By virtue of the said amendment, Division XVIII is has been substituted and a uniform rate of advance tax of 1.25% will be collected on the fair market value of the immovable property. The said amendment replaces the existing slab-based structure with a simplified uniform rate mechanism.

Exemption from the Income Tax (Clause 57 Part I of the 2nd Schedule)

The Act has exempted the income of the following funds, institutions, foundations, and trusts:

Sr. No.	Description
Liii	Pakistan Red Crescent Society
Liv	Shaheen Foundation established by Pakistan Air Force
Lv	Dawat-e-Hadiya
Lvi	Pakistan Navy Benevolent Association
Lvii	Sindh Institute of Urology and Transplantation
Lviii	Employees' Social Security Institutions of Provincial Governments
Lxi	Workers' Welfare Fund Organizations of Provincial Governments
Lx	Make-A-Wish Foundation
Lxi	Quaid-i-Azam Mazar Management Board

Streamlining Exemption to NRVA Holder (Clause 79 Part I of the 2nd Schedule)

Earlier	Revised
Any profit on debt derived from a rupee account held by the scheduled bank in Pakistan by 'non-resident individual holding a Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC)' where the deposits in the said account are made exclusively from foreign exchange remitted through the said account is exempt from tax.	Any profit on debt derived from a rupee account held by the scheduled bank in Pakistan by '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' where the deposits in the said account are made exclusively from foreign exchange remitted through the said account is exempt from tax.

Reduction in Minimum Tax for Specified Sectors (Clause 24D Part II of the 2nd Schedule)

The rate of minimum tax under sub-section (1) of Section 113, in the case of distributors, dealers, sub-dealers, and wholesalers of 14 specified sectors including pharmaceutical, fertilizer, cigarette, packaged food, locally manufactured mobile phones, and electronics etc has been amended to 0.5%. This reduced rate shall be subject to the condition that the beneficiaries are appearing on the Active Taxpayers' Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001 (XLIX of 2001).

Super Tax Abolished for Exporters (Clause 104A Part IV of the 2nd Schedule)

By virtue of the Finance Act, 2026 the provisions of section 4C shall not apply to a person if the export proceeds realized for the tax year represent more than eighty percent of his total turnover for the tax year.

Exemption of Withholding Tax to Trading Houses Withdrawn (Clause 57 Part IV of the 2nd Schedule)

The withholding tax exemption previously available under Section 153 of the Income Tax Ordinance, 2001 to companies operating 'Trading Houses' having specified capital and other prescribed conditions has been abolished. This amendment aims to bring such companies within the normal withholding tax regime under Section 153.

Tax Exemption for Private Equity and Venture Capital Fundss (Section 99C)

Income of a registered Private Equity and Venture Capital Fund is exempt from tax if at least 90% of its adjusted accounting income is distributed to investors. The exemption does not apply where the fund acquires a listed company that remains publicly listed after acquisition.

Streamlining of Exemption from Registration (Clause 114A Part IV of the 2nd Schedule)

The Act has streamlined the exemption from tax filing and registration requirements under section 181 of the Income Tax Ordinance, 2001. Under this amendment, persons maintaining Foreign Currency Value Accounts (FCVA), Foreign Currency Business Value Accounts (FCBVA), Non-Resident Rupee Value Accounts (NRVA), or Non-Resident Rupee Business Value Accounts (NRBVA) with authorized banks in Pakistan are exempted from the requirement to furnish a return of income under section 114(1)(ae) as well as the wealth statement.

Enhancement of Threshold for Exemption from Withholding Tax for Individual Traders (Clause 115 Part IV of the 2nd Schedule)

Previously, the provisions of section 153 are not applicable to traders being individuals having turnover up to Rs. 100 million. The Act has enhanced this threshold from Rs. 100 million to Rs. 200 million, thereby extending the exemption from withholding tax obligations under section 153 to a larger segment of small and medium-scale individual traders.

Withdrawal of Opt-Out Facility under the Eighth Schedule (Rule 5 of the 8th Schedule)

Previously, Rule 5 provides an option to persons investing in listed securities to opt out of the tax computation and collection mechanism under the Eighth Schedule by filing an irrevocable option with NCCPL, subject to prior approval of the Commissioner. The Act has abolished this opt-out facility. Consequently, all persons falling within the ambit of Section 37A read with the Eighth Schedule will be mandatorily subject to NCCPL's tax computation, determination, and collection mechanism, with no option to obtain Commissioner-approved exclusion.

Removal of Late Filer Regime under Property Transactions (Rule 1A of the 10th Schedule)

By virtue of the Finance Act, 2024, a new regime was introduced whereby the concept of "late filer" was introduced, extending higher rates of withholding tax on the purchase and sale of immovable property for persons appearing on active taxpayers' list but have not filed return by the due date. This effectively created a three-tier classification system of filer, late filer, and non-filer for taxation purposes.

The Finance Act, 2026 has omitted the late filer tax rate category altogether. Consequently, the withholding tax regime will revert to a two-tier structure comprising only filers and non-filers.

Enhancing the Withholding Tax on Non-Filer *(Clause y of Rule 10 of the 10th Schedule)*

The Act withdrew the exclusion previously available for tax collected under section 37A on disposal of securities, which will result in a 100% increase (doubling) in withholding tax for non-ATL persons on capital gains from listed securities.

Addition of PCT Code *(Part II, 12th Schedule)*

PCT Code 1520.0000 has been added to Part II of the Twelfth Schedule for Glycerol, crude; glycerol waters and glycerol lyes.

This page is intentionally left blank

Sales Tax Act, 1990

Insertion of New Definitions and Amendments to Existing Definitions (Section 2)

The Finance Act, 2026 has introduced following several significant insertions and amendments to the definitions in Section 2 of the Sales Tax Act, 1990:

- **Advance Receipt Invoice**

The Finance Act, 2026 has inserted a new clause (1AA) defining 'advance receipt invoice' as an invoice in the format as may be notified by the Board from time to time. This provides a formal legal basis for invoicing in advance payment transactions, bringing such arrangements within the documented tax compliance framework.

- **Algorithmic Settlement Mechanism**

A new clause (1AAA) has been inserted which defines 'algorithmic settlement mechanism' as the mechanism provided under Section 47AA of the Act. This definition institutionalizes the concept of automated algorithmic settlement, which is expected to streamline the reconciliation and settlement of sales tax liabilities through digitally driven processes.

- **Electronic Invoicing System**

A new clause (9AB) has been inserted to define 'electronic invoicing system' as any electronic system or mechanism as may be prescribed or approved by the Board for issuance and recording of sales tax invoices in electronic form. This definition formally recognizes the Board's authority to prescribe and approve electronic invoicing platforms, signaling a move toward mandatory digital invoicing across the supply chain.

- **National Faceless Centre**

A new clause (17A) has been inserted to define 'National Faceless Centre' as defined in Section 32C of the Act. This definition introduces the concept of faceless tax administration in the sales tax regime, where assessments, audits and other proceedings may be conducted remotely without physical interface between the taxpayer and the tax officer, thereby enhancing transparency and reducing opportunities for discretionary conduct.

- **Production Monitoring System**

The Finance Act, 2026 has introduced a new clause (22)(1A), which defines 'production monitoring system' as any system or technology used for the purposes of monitoring production and sale of goods, whether in real-time or otherwise, including such systems or technologies as may be prescribed by the Board from time to time. This definition underpins the Board's expanded powers to monitor manufacturing activity digitally and in real time, reinforcing the compliance framework for manufacturers.

Scope of Tier-1 Retailer Rationalized (Section 2(43A))

The Finance Act, 2026 has amended the definition of Tier-1 Retailer under clause (43A) of Section 2 of the Sales Tax Act, 1990.

In sub-clause (d), the phrase “having turnover more than two hundred million rupees” has been inserted after “wholesaler-cum-retailer”. This change establishes a minimum turnover threshold of Rs. 200 million for wholesaler-cum-retailers to be classified as Tier-1 retailers, thereby smaller businesses below this limit are no longer subject to Tier-1 compliance rules.

Second, sub-clauses (f) and (g) of clause (43A) have been omitted. The removal of these sub-clauses narrows the categories of persons previously classified as Tier-1 retailers under those provisions by omitting retailers who have acquired a point of sale for accepting payment through debit or credit cards and retailers whose deductible withholding tax under sections 236G or 236H exceeds Rs. 100,000 or Rs. 500,000, respectively.

Third, a new sub-clause (gb) has been inserted to include within Tier-1 retailers a retailer having turnover exceeding Rs. 200 million either by way of declaration or from the worked-back value of turnover derived from tax deductions under Sections 236G or 236H of the Income Tax Ordinance, 2001 during the immediately preceding twelve consecutive months. This is a significant measure as it enables the tax authorities to determine Tier-1 retailer status based on withholding tax data, effectively capturing retailers who may not voluntarily declare their actual turnover.

Also, a proviso has been added to sub-clause (h) empowering the Board to exclude any person or class of persons from the definition of Tier-1 retailer through a notification in the official gazette. This grants the Board flexibility to rationalize the Tier-1 retailer framework as market conditions evolve.

Overall, the Tier-1 retailer means a retailer falling in any one or more of the following categories:

Sub Clause	Before Amendments	After Amendments
(a)	A retailer operating as a unit of a national or international chain of stores	A retailer operating as a unit of a national or international chain of stores
(b)	A retailer operating in an air-conditioned shopping mall, plaza or center, excluding kiosks	A retailer operating in an air-conditioned shopping mall, plaza or center, excluding kiosks
(c)	A retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds Rupees twelve hundred thousand	A retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds Rupees twelve hundred thousand

Table – Continued

Sub Clause	Before Amendments	After Amendments
(d)	A wholesaler-cum-retailer , engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers"	A wholesaler-cum-retailer **having turnover more than two hundred million rupees** , engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers"
(f)	A retailer who has acquired point of sale for accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan	Sub-clause (f) shall be omitted
(g)	A retailer whose deductible withholding tax under sections 236G or 236H of the Income Tax Ordinance,2001 during the immediately preceding twelve consecutive months has exceeded the threshold as may be specified by the Board through notification in the official Gazette	Sub-clause (g) shall be omitted
(gb)	-	New subclause **(gb)** shall be inserted, which is as follows: A retailer having turnover exceeding two hundred million rupees either by way of declaration or from worked-back value of turnover from tax deduction under section 236G or 236H of the Income Tax Ordinance, 2001 (XLIV of 2001) during the immediately preceding twelve consecutive months
(h)	Any other person or class of persons as prescribed by the Board	Any other person or class of persons as prescribed by the Board; **provided that the Board may also exclude any person or class of persons through a notification in the official gazette;**

Amendment to Valuation Provisions *(Section 2(46)(j))*

The Finance Act , 2026 has amended the first proviso to sub-clause (j) of clause (46) of Section 2, which relates to the determination of value of taxable supplies. The amendment empowers the Board to use valuations notified by the Pakistan Bureau of Statistics immediately before the start of the tax period for valuation purposes. Additionally, the Board may ,where it deems fit , outsource the valuation functions to a third party in the mode and manner as may be prescribed. This provides the Board with greater flexibility and technical support in determining accurate taxable values, particularly for goods where market prices are volatile or difficult to verify.

Special Tax Collection Mechanism for Steel Sector (Section 6)

A new proviso has been added to sub-section (2) of Section 6, introducing a special mechanism for tax collection from steel melters, steel re-rollers and composite units. Under this mechanism, sales tax is to be charged on the basis of per unit electricity consumption including use of electricity produced by a captive power plant or through any other alternative source of energy at the rate or rates as prescribed by the Board, through notification in the official Gazette. The tax so collected shall be an adjustable input tax, claimable in the return for the month in which payment is made.

This is a significant expansion as it now covers exempt supplies within the mandatory invoicing framework, ensuring that the full scope of commercial activity is documented through FBR-verifiable invoices. The Board is empowered to notify any person or class of persons who may be allowed to issue an advance receipt invoice within the notified system. The condition of a verifiable and unique FBR invoice number shall be applicable from such date as notified by the Board, providing a transitional window for compliance.

Further, the Board may prescribe a lower per unit rate or rates of electricity consumption on the basis of input tax paid on imports or other invoices issued through electronic invoicing system, digitally issued invoices for compliant and digitally integrated steel melters, re-rollers and composite units to minimize creation of refunds:

The per unit sales tax shall be determined by the Board on the basis of minimum notified price under clause (46) of section 2 (value of supply) of this Act and the industrial benchmarks of consumption of electricity against per ton production of steel products.

This amendment is a significant step towards bringing the steel sector, which has historically been a source of tax leakage, within a tightly monitored digital compliance framework.

Limiting the Input Tax Adjustment for Non-Integrations (Section 8B)

A new proviso has been added to sub-section (1) of Section 8B, empowering the Board to reduce or enhance the existing input tax adjustment limit for any registered person through notification in the official Gazette. This adjustment shall be based on the registered person's level of compliance or non-compliance with the production monitoring, digital invoicing, e-bility, POS, or any other electronic system prescribed by the Board for digital integration of data. This amendment creates a direct financial incentive for registered persons to integrate with the Board's digital infrastructure, as non-compliant persons may face reduced input tax adjustment limits while compliant persons may benefit from enhanced limits. This is a key enforcement tool to accelerate digital integration across the registered taxpayer base.

Issuance of Debit and Credit Notes Regulated (Section 9)

A new proviso has been added to Sec 9 of the Sales Tax Act ,1990 by virtue of Finance Act 2026 which states that the issuance of debit and credit notes shall be governed by the mechanism, including electronic adjustments, as may be prescribed by the Board. This amendment brings the process of debit and credit note issuance under a structured Board-prescribed electronic mechanism, reducing the risk of manipulation and ensuring that adjustments to tax invoices are tracked digitally. This aligns with the broader digital integration drive across the sales tax regime.

Sales Tax Act, 1990

Suspension of Registration *(Section 21)*

Sub-section (2) of Section 21 has been amended to add non-compliance with sub-sections (5) and (6) of Section 23 or Section 40C as an additional ground for suspension of registration. This amendment strengthens enforcement by enabling the Commissioner to suspend the registration of persons who fail to comply with the mandatory electronic invoicing requirements through licensed integrator as required under Section 23(5 & 6) and the cargo tracking obligations under Section 40C, thereby reinforcing digital compliance across the supply chain.

Tax Invoice Requirements Enhanced *(Section 23)*

Sub-section (1) of Section 23 has been amended to significantly expand the scope of mandatory tax invoice issuance. The existing requirement to issue a serially numbered tax invoice for taxable supplies has been substituted with the expression that supply as well as exempt supply shall issue a tax invoice, including an advance receipt invoice, bearing a verifiable and unique FBR invoice number, for both taxable as well as exempt supplies.

This is a significant expansion as it now covers exempt supplies within the mandatory invoicing framework, ensuring that the full scope of commercial activity is documented through FBR-verifiable invoices. The Board is empowered to notify any person or class of persons who may be allowed to issue an advance receipt invoice within the notified system. The condition of a verifiable and unique FBR invoice number shall be applicable from such date as notified by the Board, providing a transitional window for compliance.

Special Audit Powers of Commissioner Enhanced *(Section 25)*

New sub-sections (8A) and (8B) have been inserted in Section 25. Under sub-section (8A), where a Commissioner, during the course of proceedings, is of the opinion that it is necessary due to the nature and complexity of accounts, volume of accounts, doubts about correctness, multiplicity of transactions in the accounts, or specialized nature of business activity of the registered person and in the interests of the revenue, he may, after giving the registered person a reasonable opportunity of being heard and with the prior approval of the Chief Commissioner, direct the registered person to get either any or all of the following:

- Accounts re-audited by an accountant and furnish a report duly signed and verified, including answers to specific queries required by the Commissioner; or
- Inventory re-valued by a cost accountant and furnish a report duly signed and verified, including answers to specific queries required by the Officer of Inland Revenue.

The accountant or cost accountant for this purpose shall be nominated by the Commissioner from a panel nominated by the Board. Under new sub-section (8B), after completion of the audit, the Officer of Inland Revenue shall, after obtaining the registered person's explanation on all audit matters, issue a formal audit report containing audit observations and findings. This formalizes the audit closure process and ensures that findings are documented before any assessment order is passed.

Audit Completion and Voluntary Payment Provisions Rationalized *(Section 25)*

Sub-section (9) has been amended to replace the reference to 'completion of the audit' with 'issuing the audit report', aligning the timeline for subsequent action with the new requirement for a formal audit report under sub-section (8B). Further, sub-section (11) has been amended to substitute 'wishes to deposit' with 'deposits', making voluntary payment a pre-condition rather than merely an intention. Additionally, the requirement of payment of the 'full amount' in the second proviso has been reduced to 'fifty percent', providing registered persons with greater financial relief when opting for early voluntary settlement of audit findings.

Directorate General (Field Compliance) Inland Revenue Established (Section 30DDDB)

A new Section 30DDDB has been inserted for establishing the Directorate General (Field Compliance) Inland Revenue, consisting of a Director General and such Directors, Additional Directors, Deputy Directors, Assistant Directors and other officers as the Board may appoint by notification. The Board by notification in official gazette is empowered to specify the functions and jurisdiction of the Directorate General and may also confer upon it the powers of authorities specified in Section 30. This new Directorate is expected to strengthen field-level tax compliance monitoring and enforcement activities.

Faceless Audit and Assessment Introduced (Section 11H)

A new Section 11H has been inserted, introducing the concept of faceless audit and assessment. Any audit under Sections 25 and 72B, any order under Section 11E, and rectification under Section 57, may be conducted in a faceless manner as may be prescribed by the Board from time to time.

The faceless audit shall apply to such persons or class of persons ,or incomes or class of incomes, or cases or class of cases , as may be specified by the Board. The provisions of Section 25 shall continue to apply to faceless audits. In case, an opportunity of being heard is required to be provided, or a statement under oath is to be obtained from a taxpayer or any other person under Section 37 of the Act, the same shall be done through E-hearing. Importantly, the identity of the Officer conducting the E-hearing, including facial and voice identity, shall be kept confidential.

Faceless Jurisdiction Introduced (Section 30AA)

A new Section 30AA has been inserted to establish a faceless jurisdiction framework within the Sales Tax Act, 1990. Notwithstanding any other provision of the Act, Inland Revenue authorities appointed in the National Faceless Centre shall perform all or such functions and exercise all or such powers under the Act as may be assigned to them through algorithms developed by the Board, in respect of such persons or classes of persons for such tax periods as may be specified.

The jurisdiction so assigned may be exclusive or concurrent. The Board retains the power to transfer jurisdiction from the National Faceless Centre back to the Officer of Inland Revenue having jurisdiction under Section 30, either on recommendation of the Chief Commissioner or on its own accord.

The Chief Commissioner at the National Faceless Centre may also request the Board to direct the officer of Inland Revenue having jurisdiction under section 30 or any other Authority under this Act, as it may deem fit, to conduct physical verification including nature and size of the business, assets, investments, expenditures, and any other information or verification required by the Chief Commissioner for conducting any proceedings assigned to the National faceless Centre. The Board may exercise its power of allocation of verification through an algorithm-based allocation system.

Critically, the identity of the authority exercising jurisdiction at the National Faceless Centre shall be kept strictly confidential from the registered person, authorized representative, and any unauthorized person. No notice, order or communication issued by such authority shall be challenged merely on the ground of lack of territorial jurisdiction, absence of delegated powers, or confidentiality of identity. This provision protects the integrity of the faceless system while ensuring legal certainty for its proceedings.

National Faceless Centre Formally Established (Section 32C)

A new Section 32C has been inserted to establish the National Faceless Centre. The Board may establish the Centre for conducting proceedings under the Act in a faceless manner and shall specify its jurisdiction, powers and functions. The Centre shall be headed by a Director General and as many officers of the Inland Revenue and support staff as the Board deems fit for this purpose of this section. The Board may design algorithms for assigning functions and jurisdiction to Centre authorities. The Centre shall comprise as many wings and units as may be prescribed by the Board. Audit, assessment and quality control functions for a specific case and tax period shall be performed by separate officers, ensuring segregation of duties. All communications, whether among units or with registered persons, or an authorized representative of the registered persons, or with any other person with respect to the information or documents or evidence or any other details, as may be necessary, shall be conducted exclusively through electronic means.

Faceless Appeals Introduced (Section 45C)

A new Section 45C has been inserted to introduce faceless appeals under the Sales Tax Act, 1990. Notwithstanding any other provision of the Act, any appeal filed under Section 45B may be processed through the National Faceless Centre as may be prescribed by the Board. The existing provisions of Section 45B shall apply to such faceless appeals accordingly. This extension of the faceless framework to the appellate process is expected to significantly reduce the scope for undue influence in appeal proceedings while accelerating their disposal through digitally managed workflows.

Penalties Substantially Enhanced (Section 33)

The Finance Act, 2026 has inserted significant enhancements of penalties under Section 33 of the Sales Tax Act, 1990. The following key changes have been made to the penalty table:

Sr. No.	Offences	Penalties and punishments after amendment
1	Where any person fails to furnish a return within the due date.	The penalty has been increased from ten to fifty percent of the tax amount, with the proviso threshold revised from hundred to thousand rupees.
2	Any person who fails to issue an invoice when required under this Act.	The penalty has been increased from five thousand rupees or three percent to twenty-five thousand rupees or five percent.
3	Any person who unauthorizedly issues an invoice in which an amount of tax is specified.	The penalty has been increased from ten percent to fifty percent, and from five percent to ten percent, depending on the nature of the contravention.
5	Any person who fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Act or rules or orders made there under.	The penalty has been increased from ten thousand rupees or five percent of the tax involved, whichever is higher to fifty thousand rupees or five percent of the tax involved, whichever is higher. In addition, the proviso threshold has been revised from one hundred rupees to one thousand rupees.
7	Any person who is required to apply for registration under this Act fails to make an application for registration before making taxable supplies.	Rs 10,000 or 5% of the tax involved, whichever is higher, is increased to Rs 50,000 or 5% of the tax involved, whichever is higher.

Offences and penalties table – Continued

Sr. No.	Offences	Penalties and punishments after amendment
8	Any person who fails to maintain records required under this Act or the rules made there under.	Rs 10,000 or 5% of the tax involved, whichever is higher is increased to Rs 50,000 or 5% of the tax involved, whichever is higher.

These substantial increases in penalty quantum reflect the Government's intent to significantly strengthen deterrence against non-compliance, under-reporting and delayed payment of sales tax liabilities.

Penalty for Non-Integration with Board's Systems Enhanced (Section 33, S. No. 25)

S. No. 25 of the penalty table has been substituted with an enhanced provision targeting persons required to integrate their business monitoring, tracking, reporting or recording systems with the Board's computerized system who fail to do so. Such persons shall be liable to a penalty of up to one million rupees. If the offence continues beyond one month of the first penalty, a second penalty of up to five million rupees shall be imposed. Additionally, the business premises of such person shall be liable to sealing, with or without imposition of penalty, by an Officer of Inland Revenue in the prescribed manner. This provision significantly strengthens enforcement against non-integration with the Board's digital infrastructure.

New Penalty — Simulated or Fictitious Invoice Issuers (Section 33, S. No. 29)

A new S. No. 29 has been inserted in the penalty table to deal with registered persons who issue tax invoices for simulated or fictitious transactions where no actual supply of goods or services has taken place, as established after notice and adjudication. The following consequences shall apply:

- The offending person shall pay a penalty equal to the face value of the simulated or fictitious invoice or invoices.
- The Board shall, after issuance of a show cause notice and opportunity of being heard, place the name and registration number of such person on a publicly accessible 'Simulated Invoice Issuers Register' maintained on the Board's computerized system.
- Any input tax credit claimed by a counterparty on the basis of invoices issued by a person on the register shall be reversed automatically and treated as inadmissible with effect from the date of listing.
- Listing on the register shall be removed only upon full payment of the penalty and default surcharge, and upon satisfactory demonstration of compliance.

This is a landmark anti-fraud measure. The creation of a publicly accessible register of fictitious invoice issuers, combined with automatic reversal of input tax credits for counterparties, is expected to significantly disrupt the ecosystem of fake invoice fraud that has historically caused substantial revenue leakage.

New Penalty - Unmatched Input Tax Credit (Section 33, S. No. 30)

A new S. No. 30 has been inserted , prescribing a penalty where the Board's computerized system identifies that input tax credit claimed by a registered person for any tax period cannot be matched to corresponding output tax declared by the supplier for the same or proximate tax period, confirmed after notice and opportunity of being heard. Such person shall pay a penalty of twenty percent of the unmatched input tax amount, in addition to reversal of the inadmissible credit and payment of default surcharge under Section 34

New Penalty - Failure to Reverse Credit on Listed Invoice Issuer (Section 33, S. No. 31)

A new S. No. 31 has been added , imposing a penalty where a registered person has claimed input tax credit on invoices issued by a person subsequently placed on the Simulated Invoice Issuers Register and fails to reverse the inadmissible input tax credit within sixty days of the listing. Such person shall pay a penalty of twenty percent of the unreversed input tax credit, in addition to reversal of such credit and default surcharge under Section 34. These three new penalty provisions collectively create a robust ecosystem of deterrence against fictitious invoicing and fraudulent input tax claims.

Production Monitoring and Tax Stamps Regime Enhanced (Section 40C)

Sub-sections (2) and (3) of Section 40C have been substituted to significantly expand and modernize the production monitoring and tax stamps regime. Under the revised sub-section (2), from such date as may be prescribed by the Board, no taxable goods shall be removed or sold by a manufacturer or any other person unless such goods are affixed with tax stamps, band role stickers or labels are monitored through a Production Monitoring System, video analytics or any other prescribed monitoring mechanism, in such form, style and manner as may be prescribed by the Board.

Under the revised sub-section (3), tax stamps, banderoles, stickers, labels, barcodes, production monitoring equipment and related items shall be acquired by the registered person from a licensee appointed by the Board. This ensures that monitoring equipment and identifiers are procured through a controlled, Board-sanctioned supply chain, preventing unauthorized or counterfeit identifiers. A new sub-section (6) has been inserted to provide that any taxable goods in respect of which monitoring, tracking or identification has been prescribed, and which are manufactured, produced, removed, transported, supplied or otherwise dealt with without affixing the prescribed tax stamps, banderoles, stickers, labels, barcodes or without compliance with the prescribed monitoring system, shall be liable to seizure and confiscation in the prescribed manner, along with the conveyance used for the movement or transportation of such goods. This significantly strengthens the enforcement teeth of the production monitoring regime.

Sale of Confiscated Goods by Auction (Section 40F)

A new Section 40F has been inserted to provide a formal legal framework for the sale of confiscated goods by public auction. In case, the goods liable to confiscation have been confiscated, they shall be sold by public auction, which may be conducted through electronic means as prescribed by the Board. The Board shall be bound by the Public Procurement Regulatory Authority Rules, 2014 for this purpose.

The sale proceeds shall be applied in the following order: first to pay the expenses of the sale; then to pay sales tax, other taxes, dues, penalties and surcharge payable to the Federal Government; and the balance, excluding goods liable for outright confiscation, shall be paid to the owner if claimed within six months, failing which the balance shall be deposited into the government treasury. In cases where a goods declaration has been filed, the importer's share shall not exceed the declared value of the goods.

Algorithmic Settlement Mechanism Introduced (Section 47AA)

A new Section 47AA has introduced a digitally operated Algorithmic Settlement Mechanism for settlement of tax proceedings at any stage before an order under Sections 11D or 11E of the Act. Where the mechanism calculates and presents a settlement offer to a registered person, the person may accept the offer within ten days by confirming acceptance on IRIS and depositing the settlement amount.

The system-generated settlement offer shall be calculated on the basis of the stage of proceedings at which settlement is offered, the registered person's compliance history as maintained in FBR's data, the nature and character of the discrepancy, and any other basis the Board may consider relevant. Upon deposit of the settlement amount, all issues confronted through any notice or audit report under the Act shall stand abated. However, payment under this mechanism shall not preclude proceedings in respect of any other issue or discrepancy not covered by the settlement offer, nor shall it affect proceedings for any other tax period.

This is a landmark reform that harnesses technology to facilitate expedient resolution of tax disputes at the pre-order stage. By offering algorithmically calculated, data-driven settlement offers, the mechanism reduces subjectivity in dispute resolution and provides a structured, transparent pathway for registered persons to settle their liabilities without protracted litigation.

Independent Case Scrutiny Committee Established (Section 47AAA)

A new Section 47AAA has been inserted, establishing an Independent Case Scrutiny Committee as a mandatory pre-condition for filing references or appeals before superior courts. A reference under Section 47 before the High Court, or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan, shall only be filed by the Commissioner Inland Revenue after approval by the Independent Case Scrutiny Committee as constituted by the Board.

The Board may constitute one or more such committees and assign them cases or classes of cases decided by the Appellate Tribunal Inland Revenue or the High Court. The Committee shall comprise the following members as nominated by the Board:

- A retired judge of the Supreme Court of Pakistan, the Federal Constitutional Court, or any of the High Courts of Pakistan, who shall also act as Chairman of the Committee.
- An Advocate having not less than fifteen years of experience in tax and commercial litigation before the High Court or Supreme Court of Pakistan, nominated from a panel notified by the Board from time to time.
- A senior serving or retired officer of the FBR in BS-20 or above.

The committee may co-opt a chartered accountant as a non-voting member, whenever required.

The powers, functions and procedure of the Committee along with remuneration of its Members shall be as prescribed. The recommendations of the Committee shall be binding upon the Commissioner Inland Revenue having jurisdiction over the case. No legal proceedings shall lie against the Members of the Committee and the Commissioner Inland Revenue having jurisdiction over the case, in relation to decisions made under this section. The Committee constituted shall exercise its powers and functions with effect from the date of its constitution as notified by the Board.

Notwithstanding anything contained in this Act or in the Limitation Act, 1908, when determining whether a matter under sub-section (1) has been filed within the prescribed time, the period beginning from the date on which limitation starts and ending on the date the committee gives its approval, such period being certified in each case by the chairman, shall not be counted. Provided that where limitation had already commenced before this section came into operation, the exclusion shall begin from the date on which the Finance Act, 2026 takes effect.

This is a significant reform aimed at reducing frivolous and unmeritorious government litigation before superior courts, which has historically resulted in avoidable costs and judicial burden. By requiring independent expert review before escalating disputes to higher courts, the amendment promotes litigation discipline, protects taxpayer rights and optimizes the use of judicial resources.

The Third Schedule - New Entries (S. Nos. 56–64) (Third Schedule)

The Finance Act, 2026, has added Serial Nos. 56 through 75 to the Third Schedule, extending the retail price-based tax regime to a wide range of consumer goods. Where the Federal Government has already notified a rate higher than 18%, that rate shall continue to apply.

Sr. No.	Description	Heading Nos.
56	Vegetable and animal fats and oils, sold in retail packing	Respective headings
57	Sugar Confectionary, sold in retail packing	Respective headings
58	Pasta (spaghetti, macaroni, noodles, lasagne, couscous etc.), sold in retail packing	19.02
59	Sauces, ketchup, mixed condiments, seasonings and prepared mustard, sold in retail packing	Respective headings
60	Fermented beverages, sold in retail packing	Respective headings
61	Petroleum jelly, paraffin wax, micro-crystalline petroleum wax and similar products, sold in retail packing	27.12
62	Plates, sheets, film, foil, tape, strip and other flat plastic shapes, sold in retail packing	39.19, 39.20, 39.21

The Third Schedule - New Entries Continued (S. Nos. 65-75) (Third Schedule)

Sr. No.	Description	Heading Nos.
63	Tableware, kitchenware, plastic furniture, storage items, hygienic/toilet articles and household plastic articles, sold in retail packing	Chapter 39
64	Trunks, suitcases, briefcases, school satchels, travelling bags, handbags, wallets, purses and similar containers, sold in retail packing	42.02
65	Footwear (all types) except where the manufacturer exclusively sells its products through digitally integrated and POS compliant retail outlets.	Respective headings
66	Bathroom accessories, sanitaryware including taps, showerheads, fittings, mixers, valves and other washroom fixtures, sold in retail packing	Respective headings
67	Crockery items, sold in retail packing	Respective headings
68	Car and automobile accessories, sold in retail packing	Respective headings
69	Milk, fat-filled milk, infant preparations and other milk products, sold in retail packing	Respective headings
70	Preparations for use on the hair, sold in retail packing	33.05
71	Pre- shave, shaving or after- shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorisers, whether or not perfumed or having disinfectant properties, sold in retail packing.	33.07
72	Toilet or facial tissue stock, towel or napkin stock and similar paper of a kind used for household or sanitary purposes, cellulose wadding and webs of cellulose fibres, whether or not creped, crinkled, ,embossed, perforated, surface- coloured, surface-decorated or printed, in rolls or sheets, put up for retail sale.	4803.0000, 48.18
73	Jams, fruit jellies, marmalades, fruit/nut purees and pastes and other fruit/vegetable preparations, sold in retail packing	20.07, 20.08
74	Household utensils including stainless steel, aluminum, melamine and other utensils and tableware	Respective headings
75	Ceramic products including wash basins, commodes, tiles and allied ceramic sanitary products, put up for retail sale	69.10

Note: Where the Federal Government has notified that the sales tax shall be charged, levied and paid at a rate higher than eighteen percent, the same rate shall continue to be charged, levied and paid after its inclusion under the Third Schedule.

The Sixth Schedule - Table-1 Insertions *(Sixth Schedule)*

Insertions:

The Finance Act, 2026 has introduced the following new insertions to Table-1 of the Sixth Schedule to categorized as exempt supplies:

Sr. No.	Description	Heading Nos.
27 A	Wheat and rice bran	Respective headings

The Sixth Schedule - Table-1 Amendments *(Sixth Schedule)*

Substitutions:

The Finance Act, 2026 has substituted the following entries in Table 1 of the Sixth Schedule, thereby classifying them as exempt supplies.

Sr. No.	Description	Heading Nos.
32	Newsprint, books and magazines but excluding brochures, leaflets and directories	49.01,4902.100, 4902.9000
181	Import or lease of aircrafts and parts thereof by Pakistan International Airlines Corporation Limited (PIACL). Quantities limited to operational and maintenance requirements. Ground handling equipment, service vehicles, catering equipment and fuel trucks (not locally manufactured) imported for use within airport premises also covered.	8802.1200, 8802.3000, 8802.4000, 8801.0000, 8802.2000, 8804.0000, 8805.2900, 8807.3000, 9104.0010, 8544.2000, 7007.1900 and 9931
181 A	Import or lease of aircrafts and parts thereof by any airline company registered in Pakistan. This will be effective from the first day of July, 2027.	Respective Heading

New Insertions:

The following new insertions have been made in the Sixth Schedule, whereby the supplies listed below have been brought within the ambit of exempt supplies:

Sr. No.	Description	Heading Nos.
182	Contraceptives	3926.9020 and 4014.1000
183	Female Sanitary Pads / Tampons	9619.0030
184	Import of Tankers, Dredgers, Floating/submersible drilling or production platforms, other floating structures and vessels for transportation of goods transportation of goods excluding Cruise ships, excursion boats and similar vessels principally designed for the transport of persons; ferry-boats of all kinds. Subject to quantity approval by Ministry of Maritime Affairs.	8901.2000, 8905.1000, 8905.2000, 8905.9000, 8901.9000
185	Import of bulletproof vehicles by: (i) Federal Government for SCO Summit logistics (prior approval from MoFA and Ministry of Interior and Narcotics Control required); (ii) Federal/Provincial Government for protection of public functionaries against terrorism threats (subject to Federal Government approval).	Respective headings

Sixth Schedule - Table-3, New Exemptions for Industry (Sixth Schedule, Table-3)

The following new entries have been added to the Annexure of Table-3 of the Sixth Schedule:

Sr. No.	Description	Heading Nos.	Condition
23	Import of machinery/equipment for upgradation of existing refineries: Reactors, Shell & Tube Exchangers, Vessels, Trim Coolers, Air Coolers, Fired Heaters, Centrifugal & Reciprocating Pumps, Compressors, Steam Reformer Furnaces, Filters. Imports must be for expansion, balancing, modernization and rehabilitation of existing refineries.	8419.8990, 8419.5000, 8418.6990, 8417.8000, 8413.7090, 8413.5000, 8414.8090, 8421.3990	Quantity approved by Ministry of Petroleum and Natural Resources. Imported directly by the refinery.
24	Import of machinery, equipment, raw materials, components and other capital goods by Karachi Shipyard and Engineering Works Limited	Respective headings	Approved by concerned Division. Online certification through Pakistan Customs Computerized System required.

Eighth Schedule - EV Concessions Extended and Rationalized (Eighth Schedule)

The following changes have been made in the Eighth Schedule:

Sr. No.	Description	Heading Nos.	Tax Rate	Condition
71	Relevant goods reduced rate benefit extended by one year	—	As applicable	Extended to 30th June, 2027 (from 30th June, 2026)
80	EV transport buses of 25 seats or more and electric trucks in CBU condition	8702.4090, 8704.6030	1%	CBU condition only

Ninth Schedule – Tax Payment in Installments on Imported Mobile Phones (Ninth Schedule)

A new sub-clause has been inserted under the heading “Liability, Procedure and Conditions” which provides that an individual liable to pay tax on an imported mobile phone device through the Device Identification, Registration and Blocking System of the Pakistan Telecommunication Authority may be permitted to pay such tax in instalments, as may be prescribed, provided that all instalments are paid before the close of the financial year in which the import is made.

Eleventh Schedule - Withholding Expanded to AoPs and Individuals (Eleventh Schedule)

Against Serial No. 4, the scope of withholding agents has been expanded to include associations of persons and individuals alongside companies. A new Serial No. 14 imposes withholding on toll manufacturing where a registered toll manufacturer supplies services to an unregistered person, the rate is four times the tax charged on conversion charges

	Withholding agent	Supplier category	Rate or extent of deduction
Before Amendment	Companies, as defined in the Income Tax Ordinance, 2001 (XLIX of 2001) excluding companies exporting surgical instruments.	persons other than Active Taxpayers	5% of gross value of supplies
After Amendment	Companies, ***AOP and Individuals*** as defined in the Income Tax Ordinance, 2001 (XLIX of 2001) excluding companies exporting surgical instruments	persons other than Active Taxpayers	5% of gross value of supplies
After Amendment	Registered persons engaged in toll manufacturing	Person other than registered person	four times of the tax charged on conversion charges.

Twelfth Schedule - Value Addition Tax on Misuse of In-House Exemption (Twelfth Schedule)

New provisos inserted in clause (2): A manufacturer is liable to pay 3% value addition tax with default surcharge where imported goods (claimed for in-house consumption) are subsequently supplied in the same state.

A new sub-section (6) has been inserted that the rate of minimum value addition tax shall be 1% in the case of import of coal, subject to the conditions that such imported coal is exclusively and directly supplied to Independent Power Producers.

This page is intentionally left blank

Federal Excise Act, 2005

New Definitions Inserted (Section 2)

The Finance Act, 2026 has following several significant insertions and amendments to the definitions in Section 2 of the Federal Excise Act, 2005:

- **Algorithmic Settlement Mechanism**

A new clause (2A) defines 'algorithmic settlement mechanism' as the mechanism provided under Section 26AAA of the Sales Tax Act, 1990. By cross-referencing the Sales Tax Act definition, the amendment ensures that the algorithmic settlement mechanism available under the Sales Tax regime is equally applicable to Federal Excise proceedings, creating a unified digital dispute resolution framework across both tax statutes.

- **Electronic Invoicing System**

A new clause (9b) defines 'electronic invoicing system' as any electronic system or mechanism as may be prescribed or approved by the Board for the issuance and recording of invoices in electronic form. This definition provides the formal legal basis for the Board to mandate and regulate electronic invoicing systems for Federal Excise registered persons, supporting the broader drive toward paperless and digitally verifiable transaction records.

- **National Faceless Centre**

A new clause (16A1) defines 'National Faceless Centre' as the National Faceless Centre as defined in Section 32C of the Sales Tax Act, 1990. This cross-referencing definition ensures that the National Faceless Centre established under the Sales Tax Act shall have jurisdiction to conduct Federal Excise proceedings in a faceless manner, avoiding duplication of institutional infrastructure.

- **Production Monitoring System**

A new clause (19b) defines 'production monitoring system' as any system or technology used for monitoring production and sale of goods, whether in real-time or otherwise, including such systems or technologies as may be prescribed by the Board from time to time.

Special Excise Duty Introduced (Section 3)

A new sub-section (3B) has been inserted in Section 3, introducing a Special Excise Duty to be levied and collected in addition to the duty imposed under sub-section (1). The Special Excise Duty shall apply to such goods as listed in a new Table-IA of the First Schedule at the rates specified therein. The Board is empowered to prescribe the time, mechanism, procedure, mode and manner of collection for such duty. This is a significant new levy that creates a separate and additional tier of excise taxation on specified goods, complementing the existing First Schedule duty structure.

National Faceless Centre — Application to Federal Excise Proceedings (Section 7A)

A new Section 7A has been inserted to extend the faceless audit, assessment and appellate framework to Federal Excise proceedings. Notwithstanding any other provision of the Act, audit and assessment proceedings under the Federal Excise Act may be conducted in a faceless manner by the National Faceless Centre. The provisions of the Sales Tax Act, 1990 relating to the establishment of the Centre, assignment of jurisdiction, conduct of audit, assessment and appeals shall apply mutatis mutandis to Federal Excise proceedings. This integration avoids the need to replicate the entire faceless administration framework separately within the Federal Excise Act, instead leveraging the institutional infrastructure established under the Sales Tax Act.

Furthermore, notwithstanding any other provision of the Act, the Board may establish a digitally operated algorithmic settlement mechanism for settlement of Federal Excise proceedings at any stage before any order is passed, with the provisions relating to the algorithmic settlement mechanism under the Sales Tax Act, 1990 applying mutatis mutandis. This ensures that the data-driven, pre-order settlement facility available under the Sales Tax regime is equally accessible to Federal Excise registered persons, promoting expedient resolution of disputes and reducing litigation.

Tax Invoice Requirements Enhanced *(Section 18)*

Sub-section (1) of Section 18 has been substituted to significantly enhance the Federal Excise invoice requirements. Under the revised provision, a person registered under the Federal Excise Act shall issue, for each transaction, an invoice including an advance receipt invoice, bearing a verifiable and unique FBR invoice number at the time of clearance or sale of goods including goods chargeable to duty at the rate of zero percent or when providing or rendering services.

This is a significant expansion as it extends the mandatory FBR invoice number requirement to zero-rated goods and services, ensuring that the full spectrum of Federal Excise transactions is captured within the Board's verifiable invoice framework. The invoice shall contain the following particulars in Urdu or English:

- Name, address and registration number of the seller
- Name, address and registration number of the buyer
- Date of issue of the invoice
- Description and quantity of goods, or description of services as the case may be
- Value exclusive of excise duty
- Amount of excise duty
- Value inclusive of excise duty

The Board is empowered to notify any person or class of persons who may be allowed to issue an advance receipt invoice within the notified system. The condition of a verifiable and unique FBR invoice number shall be applicable from such date as notified by the Board, providing a transitional window for compliance. This amendment aligns the Federal Excise invoicing requirements with the enhanced invoicing framework introduced under the Sales Tax Act, 1990, creating a unified and digitally verifiable invoicing system across both tax regimes.

Designation of Officer Revised and Offence of Data Manipulation Strengthened *(Section 19)*

Clause (a) of sub-section (2) of Section 19 has been amended to substitute 'Federal Excise officer' with 'Officer of Inland Revenue', aligning the designation with the unified Inland Revenue service structure.

Sub-section (4) of Section 19 has been substituted to substantially strengthen the offence provisions relating to the manipulation of electronic monitoring systems. Under the revised provision, any person who, without the approval of the Commissioner, directly or otherwise 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 any other related activity implemented under the Federal Excise Act including any production monitoring system or video analytics system or otherwise uses a computer for the purpose or effect of reducing, avoiding or evading any liability to excise duty, or to defeat any provision of the Act or rules thereunder, shall be guilty of an offence.

Such person shall be liable to a fine which may extend to seventy-five thousand rupees or ten times the duty involved, whichever is higher, and punishment with imprisonment which may extend to five years, or both. This significantly enhances the penal consequences for tampering with production monitoring and electronic surveillance systems, reflecting the government's strong intent to protect the integrity of digital compliance infrastructure.

Scope of Seizure of Dutiable Goods Expanded *(Section 26)*

Sub-section (1) of Section 26 has substantially expanded the categories of goods liable to seizure. The revised provision covers the following categories of dutiable goods along with the conveyance used for their movement:

- Counterfeited cigarettes or beverages manufactured or produced unlawfully.
- Other dutiable goods on which excise duty has not been paid in the prescribed manner.
- Goods without affixing, or affixing counterfeit, tax stamps, bar codes, banderoles, stickers or labels as required under Section 45A of the Act.
- Goods required to be monitored through a production monitoring system but manufactured, produced, transported, removed or otherwise dealt with without such monitoring in the prescribed manner.

This expansion of seizure powers to cover goods evading the production monitoring system is a critical enforcement measure, ensuring that the digital compliance framework is backed by robust seizure powers. The inclusion of the conveyance used for transportation further strengthens deterrence against smuggling and evasion.

Scope of Outright Confiscation Expanded *(Section 27)*

Sub-section (1) of Section 27 has expanded the categories of goods liable to outright confiscation and destruction. The revised provision covers counterfeited cigarettes or beverages, goods without affixing or with counterfeit tax stamps, banderoles, stickers, labels or barcodes as required under Section 45A, and goods required to be monitored through a production monitoring system but dealt with such monitoring. Such goods shall be liable to outright confiscation and shall be destroyed in the manner prescribed in sub-section (10) of Section 19. This provision applies a zero-tolerance approach to goods that have evaded the mandatory monitoring and tax stamp regimes, ensuring that such goods are not merely seized but permanently removed from circulation.

Appeal to Commissioners Appeals *(Section 33)*

Sub-section (1) of Section 33 has substituted the words “Federal Excise officer” with the words “officer of Inland Revenue”.

Independent Case Scrutiny Committee Established *(Section 34AA)*

A new Section 34AA has been inserted to establish an Independent Case Scrutiny Committee as a mandatory pre-condition for filing references or appeals before superior courts under the Federal Excise Act. A reference under Section 34A before the High Court, or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan, shall only be filed by the Commissioner Inland Revenue after approval by the Independent Case Scrutiny Committee as constituted by the Board.

The Board may constitute one or more such committees and assign them cases or classes of cases decided by the Appellate Tribunal Inland Revenue or the High Court. The Committee shall comprise the following members as nominated by the Board:

- A retired judge of the Supreme Court of Pakistan, the Federal Constitutional Court, or any of the High Courts, who shall also act as Chairman of the Committee.
- An Advocate having not less than fifteen years of experience in duty and commercial litigation before the High Court or Supreme Court of Pakistan, nominated from a panel notified by the Board from time to time.
- A senior serving or retired officer of the FBR in BS-20 or above.

The powers, functions, procedure and remuneration of the Committee shall be as prescribed. The recommendations of the Committee shall be binding upon the Commissioner Inland Revenue having jurisdiction over the case. No suit, prosecution or other legal proceedings shall lie against the members of the Committee or the Commissioner Inland Revenue in relation to decisions made under this section. The Committee shall exercise its powers and functions with effect from the date of its constitution as notified by the Board.

This reform mirrors the Independent Case Scrutiny Committee provisions introduced under the Sales Tax Act and the Customs Act through the Finance Act, 2026, creating a consistent framework across all major tax statutes. The reform is aimed at significantly reducing unmeritorious and frivolous government litigation before superior courts, which has historically resulted in avoidable costs and judicial burden. By requiring independent expert review before escalating disputes to higher courts, the amendment promotes litigation discipline, protects taxpayer rights and optimizes the use of judicial resources.

Electronic Monitoring and Tax Stamps Regime Comprehensively Revised (Section 45A)

Section 45A has been substituted in its entirety to provide a comprehensive and modernized legal framework for the electronic monitoring and tracking of excisable goods. The revised section comprises three sub-sections.

Under sub-section (1), the Board is empowered to specify, by notification in the official Gazette, any registered person or class of registered persons, or any goods or services or class thereof, in respect of which monitoring or tracking of production, sales, clearance, stocks or any other related activity may be implemented through electronic or other means as may be prescribed, subject to such conditions, restrictions and procedures as the Board may deem fit to impose.

Sub-section (2) provides that from such date as may be prescribed by the Board, no excisable goods shall be removed or sold by a manufacturer or any other person without affixing tax stamps, banderole stickers, labels, barcodes, or complying with the production monitoring system, video analytics or other prescribed monitoring mechanism, in such form, style and manner as may be prescribed by the Board. This provision applies the mandatory monitoring and tax stamp requirements to all excisable goods without removal restrictions.

Sub-section (3) provides that tax stamps, banderoles, stickers, labels, barcodes and production monitoring equipment shall be acquired by the registered person from a licensee appointed by the Board. This ensures that all monitoring identifiers and equipment are procured through a controlled, Board-sanctioned supply chain, preventing the circulation of unauthorized or counterfeit identifiers. The comprehensive substitution of Section 45A brings the Federal Excise monitoring framework fully in line with the enhanced production monitoring regime introduced under the Sales Tax Act through the Finance Act, 2026.

Federal Excise Act, 2005

Audit Provisions Comprehensively Overhauled *(Section 46)*

Section 46 has been strengthened and formalized the Federal Excise audit framework. Sub-sections (1), (2) and (2A) have been substituted and new sub-sections (2B) and (2C) inserted, along with amendments to sub-section (3) and a new sub-section (3A).

Under sub-section (1), an Officer of Inland Revenue authorized by the Board or the Commissioner may, after giving advance notice in writing, conduct an audit of the records and documents of any registered person.

Sub-section (2) provides that where the Commissioner has information or sufficient evidence that a registered person is involved in fraud or evasion of duty, he may authorize an officer of Inland Revenue not below the rank of Assistant Commissioner to conduct an audit at any time in a year without prior notice.

New sub-section (2A) formalizes the audit closure process by requiring the Officer of Inland Revenue, after completing an audit, to obtain the registered person's explanation on all audit issues before issuing a formal audit report containing audit observations and findings.

New sub-section (2B) empowers the Commissioner to conduct audit proceedings electronically through video links or any other facility prescribed by the Board, facilitating remote audit capability.

New sub-section (2C) provides that after issuing the audit report, the Officer of Inland Revenue may, if required, pass an assessment order under sub-section (2) of Section 14 — after providing an opportunity of being heard — imposing the amount of duty as per law, charging default surcharge, imposing penalty and recovering any amount erroneously refunded.

Voluntary Payment Incentive - Graduated Penalty Relief *(Section 46(3))*

The proviso to sub-section (3) has substituted two new provisos to introduce a graduated penalty relief structure for voluntary payments. Under the first proviso, if a registered person deposits the amount of duty not paid, short paid or evaded along with default surcharge during or after the audit but before issuance of a show cause notice under sub-section (1) of section 14, they may deposit such amount along with only twenty-five percent of the applicable penalty. Under the second proviso, if the registered person deposits the amount after issuance of a show cause notice under sub-section (1) of section 14, they may deposit such amount along with fifty percent of the applicable penalty, in which case further proceedings in the case shall abate. This graduated structure creates meaningful financial incentives for early voluntary settlement, reducing the administrative burden of formal adjudication.

Special Audit Powers of Commissioner Enhanced *(Section 46(3A))*

A new sub-section (3A) empowers the Commissioner to direct a registered person, after giving a reasonable opportunity of being heard and with the prior approval of the Chief Commissioner, to: (i) get accounts re-audited by a Board-nominated accountant and furnish a report including answers to specific queries required by the Commissioner; or (ii) get inventory re-valued by a Board-nominated cost accountant and furnish a report including answers to specific queries. This power may be exercised where the Commissioner considers it necessary due to the nature and complexity of accounts, volume of accounts, doubts about their correctness, multiplicity of transactions or specialized nature of business activity. The accountant or cost accountant shall be nominated by the Commissioner from a panel constituted by the Board.

First Schedule - Table-1 Amendments *(First Schedule, Table-1)*

The Finance Act, 2026 has made the following key amendments in Table-1 of the First Schedule of the Federal Excise Act, 2005:

Amendments to Existing Entries:

S. No.	Description	Existing Rate	Revised Rate / Entry
7A	Acetate tow	Rs. 44000 per kg	Rs. 10,000 per kg
8A	Cigarettes	Rs. 10,000 per kilogram or 65% of retail price, whichever is higher	Rs. 16,500 per kilogram
59	Beverages	-	Exclusion extended to mineral waters, aerated waters, hydration drinks or electrolyte beverages specifically formulated to support hydration and electrolyte replenishment not containing sugar exceeding 5g/100ml or artificial sweetener

New Entry - Electric Vehicles for Personal Use *(S. No. 55A)*

S. No.	Description	Heading No.	Rate of Duty
55A	Electric cars, electric SUVs and electric pickup vehicles imported for personal use in CBU condition, • Import value not exceeding USD seventy-five thousand • Import value exceeding USD seventy-five thousand and upto USD one hundred and ten thousand • exceeding USD one hundred and ten thousand	Respective heading	0% 30% (Ad. Val) 40% (Ad. Val)

S. No.	Description	Heading No.	Rate of Duty
65(i)	Petroleum Top Naphtha	2710.1942	Rs. 80 per liter
65(ii)	White Spirit / Mineral Turpentine Oil (MTT)	2710.1240	Rs. 80 per liter
65(iii)	Solvent Oil	2710.1250	Rs. 80 per liter

The Finance Act 2026 also substitutes Restriction-2 under Table-1 relating to brand variants at different price points. No manufacturer or importer of cigarettes can introduce or sell a new variant of an existing brand at a price lower than the lowest actual price of that existing brand on the day of budget announcement of the current financial year.

First Schedule - New Table-IA: Special Excise Duty on Motor Vehicles

(First Schedule, Table-IA)

A new Table-IA has been inserted in the First Schedule to levy Special Excise Duty on imported motor cars, SUVs and other motor vehicles principally designed for transport of persons, including electric vehicles (4-wheelers) till 30th June, 2027:

S. No.	Description	Heading No.	Rate of Duty
1	Imported motor cars, SUVs and other motor vehicles (excluding auto rickshaws), including station wagons, double cabin (4x4) pickup vehicles and racing cars • cylinder capacity exceeding 2,000cc but not exceeding 3,000cc • cylinder capacity exceeding 3,000cc	87.03, 8704.2190, 8704.3190	86% 92%

First Schedule - Table-II: Air Tickets Duty Revised *(First Schedule, Table-II)*

Against S. No. 3, sub-clause (ii) of clause (b) has been substituted to revise the Federal Excise Duty on club, business and first-class air tickets issued on or after 1st July, 2026:

S. No.	Description	Rate of Duty
3(b)(ii)(a)	Club, business and first-class air tickets — IATA Traffic Conference Area 1 (North, Central, South America and Environs)	Rs. 50,000
3(b)(ii)(b)(I)	Club, business and first-class air tickets — IATA Area 2: Middle East and Africa	Rs. 25,000
3(b)(ii)(b)(II)	Club, business and first-class air tickets — IATA Area 2: Europe	Rs. 40,000
3(b)(ii)(c)	Club, business and first-class air tickets — IATA Area 3: Far East, Australia, New Zealand and Pacific Islands	Rs. 40,000

Second Schedule - New Exemptions Inserted *(Second Schedule)*

After the omitted S. No. 4, a new S. No. 5 has been inserted to exempt the following goods from Federal Excise Duty:

S. No.	Description	Heading No.
5(i)	Petroleum Top Naphtha (imported and locally produced)	2710.1942
5(ii)	White Spirit / Mineral Turpentine Oil (MTT) (imported and locally produced)	2710.1240
5(iii)	Solvent Oil (imported and locally produced)	2710.1250

Third Schedule - New Exemption Inserted *(Third Schedule, Table-I)*

After S. No. 27, a new S. No. 28 has been inserted in Table-I of the Third Schedule:

S. No.	Description	Heading No.
28	Import of bulletproof vehicles by: (i) Federal Government for logistic arrangements for SCO Summit (subject to prior approval from Ministry of Foreign Affairs and Ministry of Interior and Narcotics Control); (ii) Federal or Provincial Government for protection of public functionaries against terrorism threats (subject to Federal Government approval).	Respective heading

This page is intentionally left blank

Customs Act, 1969

Definition of 'State Warehouse' Inserted (Section 2)

The Finance Act, 2026 has inserted a new clause (ssssa) in Section 2 of the Customs Act, 1969, defining 'State Warehouse' as any place authorized by the Collector of Customs to store detained, seized or confiscated goods. This provides a formal legal basis for State Warehouses within the customs framework, ensuring that goods subject to enforcement action are stored in officially designated and accountable facilities.

Extension of Concession Period by One Year (Section 19(5))

The year '2026' has been substituted with '2027' in the second proviso of sub-section (5) of Section 19, thereby extending the validity of the relevant customs duty concession by one year, ensuring continuity of the concession framework for goods covered under this provision.

Mis-declaration Penalty Provisions Streamlined (Section 32)

The Finance Act has omitted the words “in a case” from the first proviso to section 32(3) and the proviso to section 32(3A). The amendment appears to be clarificatory in nature and broadens the application of the relevant penalty provisions relating to mis-declaration by removing language that could be interpreted as limiting their scope to specific cases.

Scanning Recognized as Mode of Examination (Section 80(4))

Section 80(4) has been amended to include the word “scanned” alongside “examined”. The amendment formally recognizes scanning as a mode of examination of goods for customs purposes and aligns the law with the increasing use of scanning technology at customs stations.

Enhanced Board Powers for Unclaimed and Detained Cargo (Section 82)

Sub-section (1) of Section 82 has been amended to substitute 'Federal Government' with 'Board with the approval of the Minister-in-Charge', decentralizing regulatory authority to enable more agile and responsive rule-making. The Board is now also empowered to 'waive or reduce' penalties rather than only waive them. A new proviso empowers the Board to notify rules regulating implementation, including the appeals process against imposed penalties, and to specify Customs stations, goods or classes of goods where sub-section (1) shall not apply. Sub-section (2) has further been amended to allow the Board in a competitive manner as provided in the Public Procurement Rules, 2004 to authorize any person to auction auctionable goods in the Board-notified manner, enabling greater flexibility and efficiency in the disposal of unclaimed or confiscated goods through third-party auctioning arrangements.

Penalties Enhanced by Revising S. No. 7A and S. No. 83 (Section 156)

The Finance Act, 2026 has amended the penalty table under section 156. The penalty under S. No. 7A has been increased from Rs. 500,000 to Rs. 5 million, significantly increasing the consequences of non-compliance. After S. No. 62 a new S. No. 62A has been added which is as follows:

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

Further, S. No. 83 has been revised to align it with the amended requirements of section 170 relating to deposit of impugned goods with Customs authorities.

Definition of 'Removal' for Smuggling Purposes Clarified *(Section 157)*

An Explanation is added to Section 157 clarifying that the word 'removal' includes, and shall be deemed to have always included, every act of carrying, transporting, depositing, harbouring, keeping, concealing, retailing or any other act involving movement of smuggled goods. This retrospective clarification closes legal loopholes that could have been exploited to escape liability on technical grounds.

Procedure for Goods Seized by Other Authorities Revised *(Section 170)*

Section 170 has been substituted in its entirety. Under the revised provision, notwithstanding any other law, when any goods liable to confiscation under the Customs Act are detained or seized by any other authority on any violation, the customs authorities shall, upon confirmation that such goods are liable to confiscation, intimate that authority in writing. That authority shall then be bound to deposit the impugned goods with customs for further processing under the Customs Act, irrespective of any pending proceedings under the laws of that authority. This reform establishes customs authority's primacy over goods liable to confiscation under customs law, regardless of which agency first detains them, eliminating jurisdictional ambiguity and ensuring centralized processing.

Faceless Adjudication Introduced *(Section 179)*

A new sub-section (6) has been added in Section 179 empowering the Board to notify a procedure for faceless adjudication whereby proceedings shall be conducted without any face-to-face interaction between the adjudicating officer and the respondent. The virtual mode shall be prescribed by the Board from time to time. This introduces faceless adjudication in the customs regime mirroring similar reforms in the income tax and sales tax frameworks and is expected to significantly reduce opportunities for corrupt practices while promoting consistency and efficiency in adjudication proceedings.

Asset Freezing Powers Conferred on Special Judge *(Section 185A)*

A new sub-section (6) has been inserted in Section 185A empowering a Special Judge, during trial of a customs offence, to order the freezing of assets of the accused whether in the accused's possession or held by any other person on their behalf where there are reasonable grounds to believe that the accused has committed an illegal transfer of funds into or out of Pakistan. In the case of a person other than the accused, no order shall be passed by the Special Judge without affording such person an opportunity of being heard, except where immediate action is necessary to prevent the dissipation of assets. This provides courts with a powerful tool to preserve assets that may otherwise be dissipated or transferred overseas during the pendency of criminal proceedings.

Independent Case Scrutiny Committee for Superior Court Litigation *(Section 196JJ)*

A new Section 196JJ has been inserted to establish an Independent Case Scrutiny Committee as a mandatory pre-condition for filing civil petitions, references or review petitions before the High Court, the Federal Constitutional Court or the Supreme Court of Pakistan. Such filings by the Collector or Director of Customs, or any authorized officer not below the rank of Deputy Collector or Deputy Director, shall only be made after approval by the Committee constituted by the Board.

The Committee shall comprise:

- a retired judge of the superior judiciary as Chairman;
- an advocate with not less than fifteen years of experience in customs and commercial litigation;
- and a serving or retired officer not below the rank of Director or Collector of Customs.

The committee may co-opt a chartered accountant as a non-voting member, whenever required

The Committee's recommendations shall be binding upon the concerned Collector or Director, and no legal proceedings shall lie against its members. This reform is aimed at reducing unmeritorious government litigation in superior courts, thereby protecting taxpayer rights and optimizing judicial resources.

Mode of Service of Notices Expanded *(Section 215)*

A new clause (d) has been added to Section 215 providing that notices and communications under the Customs Act may now also be served in the manner prescribed for service of a summons under the Code of Civil Procedure, 1908. This additional legally recognized mode of service ensures enforceability of customs proceedings where other methods may be impractical.

This page is intentionally left blank

Capital Value Tax (CVT)

Capital Value Tax on Foreign Assets Abolished

- The Finance Act, 2026 has abolished the Capital Value Tax (CVT) an resultantly the foreign assets held by resident individuals are excluded from the scope of Capital Value Tax (CVT), a levy originally introduced through the Finance Act, 2022. Under the previous framework, 1% CVT was imposed on the aggregate value of foreign assets exceeding PKR 100 million held by a resident individual on the last day of the tax year. Through this omission, the legislature has withdrawn this levy insofar as it pertains to foreign assets of resident individuals.

- In consequence of the aforesaid omission, all supporting legislative provisions that were integral to the operationalization of the CVT regime on foreign assets are likewise have been simultaneously withdrawn. These include the definitional provision prescribing the scope and meaning of "foreign assets" under the relevant charging section, the valuation methodology governing the conversion of foreign asset values into Pakistani Rupees for the purpose of computing the CVT base, and the applicable tax rates as specified under the First Schedule to the Finance Act, 2022.

This page is intentionally left blank

West Pakistan Motor Vehicles Taxation Act, 1958

Substitution of Tables 2, 3, 4 and 5 of the Schedule *(The Schedule)*

The Finance Act, 2026 has substituted Tables 2, 3, 4 and 5 of the Schedule to the West Pakistan Motor Vehicles Taxation Act, 1958. The amendments revised the annual token tax and motor vehicle tax rates applicable within the Islamabad Capital Territory (ICT).

Token Tax on Private Motor Vehicles *(Table 2 of the Schedule)*

The Finance Act, 2026 has to substituted Table 2 prescribing token tax on private motor vehicles registered in the Islamabad Capital Territory. The revised regime combines a fixed tax for smaller vehicles with a value-based tax linked to the invoice value for higher engine capacity vehicles:

Sr. No.	Engine Capacity	Revised Tax Rate (ICT)
1	Up to 1,000cc	Rs. 20,000 (Life time)
2	1,001cc to 1,300cc	0.25% of invoice value per annum
3	1,301cc to 1,500cc	0.25% of invoice value per annum
4	1,501cc to 2,000cc	0.25% of invoice value per annum
5	2,001cc to 2,500cc	0.35% of invoice value per annum
6	Above 2,500cc	0.35% of invoice value per annum

Tax on Motor Cabs *(Table 3 of the Schedule)*

The Finance Act, 2026 has substituted Table 3 prescribing annual tax rates for motor cabs operating in the Islamabad Capital Territory. The annual tax rates are rationalized as follows:

Sr. No.	Engine Capacity	Revised Annual Tax Rate (ICT)
1	Up to 1,000cc	Rs. 600
2	1,001cc to 1,300cc	Rs. 1,000
3	1,301cc to 1,500cc	Rs. 1,700
4	1,501cc to 2,000cc	Rs. 2,500
5	2,001cc to 2,500cc	Rs. 3,400
6	Above 2,500cc	Rs. 4,200

West Pakistan Motor Vehicles Taxation Act, 1958

Tax Rate for Public Service Vehicles *(Table 4 of the Schedule)*

The Finance Act, 2026 has substituted Table 4 prescribing annual tax rates for public service vehicles operating in the Islamabad Capital Territory. Tax is levied on a per-seat per-annum basis:

Sr. No.	Category	Tax Rate per Seat per Annum (ICT)
1	Vehicle (8 seater)	Rs. 350
2	Vehicle (13 seater)	Rs. 400
3	Vehicle (15 seater)	Rs. 500
4	Vehicle (16 seater)	Rs. 600
5	Vehicle (42 seater)	Rs. 700
6	Vehicle (52 seater)	Rs. 850

Tax Rate for Commercial / Loading Vehicles *(Table 5 of the Schedule)*

The Finance Act, 2026 has substituted Table 5 prescribing annual tax rates for commercial and loading vehicles operating in the Islamabad Capital Territory, based on maximum laden capacity:

Sr. No.	Category (Maximum Laden Capacity)	Revised Annual Rate (ICT)
1	Not exceeding 1,250 KG	Rs. 500
2	Exceeding 1,250 KG but not exceeding 2,030 KG	Rs. 1,000
3	Exceeding 2,030 KG but not exceeding 4,060 KG	Rs. 1,000
4	Exceeding 4,060 KG but not exceeding 6,090 KG	Rs. 6,600
5	Exceeding 6,090 KG but not exceeding 8,120 KG	Rs. 6,600
6	Exceeding 8,120 KG	Rs. 12,000
7	Exceeding 8,120 KG but not exceeding 12,000 KG	Rs. 12,000
8	Long trailers / vehicles exceeding 12,000 KG but not exceeding 16,000 KG	Rs. 18,000
9	Long trailers / vehicles with laden capacity exceeding 16,000 KG	Rs. 24,000
10	Tractor (with trolley)	Rs. 2,600
11	Tractor (without trolley)	Rs. 2,600

This page is intentionally left blank

The Punjab Sales Tax on Services Act, 2012

Definition Of "Active Taxpayer“ *(Section 2(1))*

The Punjab Finance Act, 2026 has substituted the definition of “Active Taxpayer“, as an active taxpayer would mean a registered person:

- whose registration has not been suspended or blacklisted by the Punjab Revenue Authority (“Authority”); and
- who has not failed to file a return by the due date for the last two consecutive tax periods.

Previously, a taxpayer qualifies as "active" if they had filed a return in at least one of the last three consecutive tax periods. Under the revised definition it becomes stricter, anyone who misses their return filing deadline for two consecutive tax periods in a row will lose their "active taxpayer" status.

Input Tax Disallowance on Purchase from Non-active persons *(Section 16B(1))*

A new clause (ff) has been added under Section 16B(1), which restrict buyers from claiming input tax adjustment on purchase of goods and services from sellers who are not listed on the Active Taxpayers List of PRA or FBR.

Reduction in Adjustable Input Tax *(Section 16C)*

The Punjab Finance Act, 2026 has amended Section 16C, reducing the maximum input tax adjustment limit from 90% to 80% of the output tax for the relevant tax period. This means taxpayers can now only offset up to 80% of their output tax liability through input tax adjustment, compared to the previously allowed 90%.

Input Tax on Capital Goods *(Section 16CC)*

The Punjab Finance Act, 2026 has introduced Section 16CC, governing the treatment of input tax on capital goods. Under this provision, input tax on such acquisitions can no longer be claimed upfront in a single tax period. Instead, it must be adjusted against output tax in twelve equal monthly installments, effectively spreading the input tax benefit over a period of one year.

Introduction of a Risk-Based Evaluation System *(Section 16CCC)*

A notable addition to the Punjab Sales Tax on Services Act, 2012 is the introduction of Section 16CCC, which establishes a formal risk-based evaluation system for scrutinizing input tax and refund claims. This provision brings the Act in line with modern revenue administration practices by adopting a data-driven approach to tax compliance. Under this system, the Authority is empowered to identify, analyze, and monitor risks associated with input tax claims, adjustments, credits, and refunds. Where a risk is identified, the Authority may take any of the following actions:

- Defer the admissibility of a claim
- Disallow input tax credit or adjustment
- Require additional supporting evidence
- Select the case for audit

Importantly, before any adverse action is taken, the taxpayer must be given a fair opportunity to be heard. If a taxpayer is dissatisfied with the outcome, they have the right to challenge the decision by filing an application with the Commissioner within thirty days.

Enhancement of Penalties *(Section 48(2))*

The Punjab Finance Act, 2026 has made significant enhancements to the penalties under section 48(2) of the Punjab Sales Tax on Services Act, 2012. The following changes have been made:

Sr. No.	Offence	Penalty
5.	Failure to provide information to the Authority	The penalty is restructured to provide, for an individual, up to Rs 100,000 for the first and each subsequent default, and for a company or association of persons, up to Rs 500,000 for the first and each subsequent default.
16.	Intentional damage to, or interference with, the Electronic Invoice Monitoring System by any person, or obstruction in the transmission of invoice data	The penalty has been enhanced from "one hundred thousand" to "five hundred thousand.
17.	Failure to issue a tax invoice	The penalty has been enhanced from "twenty thousand" to "five hundred thousand" on first default, and from "fifty thousand" to "one million" on subsequent default.
20.	Failure to comply with electronic invoicing system	The maximum penalty, previously ranging from twenty-five thousand to one hundred thousand rupees, has been revised upward to a fixed maximum of five hundred thousand rupees

Authorized Officer to Have Access to Premises, Stocks, Accounts and Records *(Section (56)*

The Punjab Finance Act, 2026 has substituted word "Authority" with "Commissioner," and the requirement of notification in the official gazette has been omitted, directly empowering the Commissioner to authorize officers for access to business premises, accounts, records, and to conduct inquiries or investigations in cases of tax fraud.

Powers of Adjudication *(Section (60))*

The jurisdictional threshold for Assistant/Deputy Commissioners has been raised from ten million to fifty million rupees, while the limit for Enforcement Officers/Audit-cum-Risk Compliance Officers has been increased from five million to twenty-five million rupees.

Restraint on Licensing and Procurement *(Section (76A))*

The Punjab Finance Act, 2026 has substituted section 76A with the following changes:

- Any authority responsible for issuing or renewing a license, granting permission, or issuing a no-objection certificate for engaging in a taxable service activity shall not do so unless the applicant provides evidence of being a registered person on the Active Taxpayers List of the Authority;

- Any procuring agency awarding or renewing a contract for taxable services shall not proceed unless the bidder, contractor, supplier, or consultant is a registered person and appears on the Active Taxpayers List under the Act.

It is important to note that newly established businesses are granted a grace period of six months from their date of registration, during which this section shall not apply to them.

Rationalization of the Rate Structure *(Part-III, Second Schedule to the Act)*

The Punjab Sales Tax on Services Act, 2026 has made several changes to the rate structure under the part – III of second Schedule to the Act, which are as following:

Sr. No.	Description of Service	Previous Tax Rates	Revised Tax Rates
1.	Hotels, motels and guest houses	(a) Five percent without input tax adjustment for non-corporate, non franchise, non-chain business with less than twenty rooms	(a) Eight percent without input tax adjustment where payment against services is received through debit or credit cards, mobile wallets or QR scanning
4.	Services provided by restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared ready to eat food service outlet etc.	(a) Five percent without input tax adjustment where payment against services is received through debit or credit cards, mobile wallets or QR scanning.	(a) Eight percent without input tax adjustment where payment against services is received through debit or credit cards, mobile wallets or QR scanning.
15.	Rent-a-car (including renting of all categories of vehicles meant for transportation of persons)	Five percent without input tax adjustment for services provided to end consumers.	Eight percent without input tax adjustment for services provided to end consumers.
22.	Services provided by accountants (including practicing chartered or cost accountants), auditors, actuaries, tax consultants (by whatever name called), practicing company, secretaries, receivers, liquidators, auctioneers and corporate law consultants, whether individual or otherwise.	(a) Five percent without input tax adjustment for services relating to accountancy, audit, tax or corporate law consultancy.	(a) Eight percent without input tax adjustment for services relating to accountancy, audit, tax or corporate law consultancy.

- In respect of the following entries, the previously prescribed rate of 5% without input tax adjustment has been increased to 8% without input tax adjustment:

Sr. No.	Description of Services
2.	Marriage halls and lawns (by whatever name called) including pandal and shamiana services. Catering services (including all ancillary/allied services such as floral or other decoration, furnishing of space whether or not involving rental of equipment and accessories) .
10.	Service provided by tour operators and travel agents including all their allied services and facilities.
12.	Services provided by property dealer and realtors.
14.	Services provided by architects, town planners, landscapers, landscape designer, interior decorators and interior designers.
18.	Services provided in specified fields such as health care, gym, physical fitness, indoor sports, games, amusement parks, arcades and other recreation facilities, and body or sauna massage etc.
19.	Services provided by laundry and dry cleaners
25.	Services provided by warehouse or depots for storage or cold storages including letting of space for storages.
30.	Renting of bulldozers, excavators, cranes, construction equipment, scaffolding, framework and shuttering, generators, storage containers, Refrigerator, shelf or rack renting, etc.
32.	Apartment house management, real estate management and services of rent collection.

- New Insertions in the Taxable Goods

Sr. No.	Description of Service	Previous Tax Rates	Revised Tax Rates
35.	Foreign exchange services provided by any person including exchange company, Forex Dealer and money changer shall pay the tax levied on the services rendered or provided to any person in respect of the currency exchange.	Nil	Three percent without input tax adjustment. Explanation: rate shall apply to the services involving consideration of spread charges permitted by the State Bank of Pakistan in relation to the buying and selling of foreign currencies.
36.	Event management services (whole range and variety of their services regardless of separate or individual classification therefore).	(a) Sixteen percent	(a) Eight percent without input tax adjustment where payment against services is received through debit or credit cards, mobile wallets or QR scanning.

The Punjab Urban Immovable Property Tax Act, 1958

The Punjab Sales Tax on Services Act, 2026 mandates the payment of tax under the Act through electronic / e-pay system. Previously, if the tax payable under the Act was not paid by the 31st day of October, late payment surcharge was applicable on a monthly basis (first day of every month of delay). Now late payment surcharge is levied on a quarterly basis i.e. on the first day of October, January, April and July for tax not paid by 30th September, 31st December, 31st March and 30th June respectively.

The Punjab Finance Act, 1973

The Punjab Sales Tax on Services Act, 2026 has abolished cotton fee, previously applicable at a rate of 10 paisa per kg on receipt of raw cotton at ginning factories.

The Punjab Motor Vehicle Transaction Licensees Act, 2015

The motor vehicle dealers and agents who undertake vehicle registration-related transactions on behalf of vehicle owners are regulated/licensed under the Punjab Motor Vehicle Transaction Licensee Act, 2015. The Punjab Sales Tax on Services Act, 2026 has inserted a new section 3-A , whereby motor vehicle transaction licensees are sought to be designated as withholding agents at point of sale.

It has been mentioned that a licensee shall not deliver a sold vehicle to the purchaser unless: (a) the vehicle stands registered under the Provincial Motor Vehicles Ordinance, 1965; (b) all prescribed fees, taxes, duties and other charges have been duly withheld and deposited with the Government; and © standardized number plates, as approved by the Government, have been displayed on the vehicle. In case of any violation, the licensee shall be liable to pay the prescribed fee, taxes, duties and other charges, along with a fine equal to the said amount in the prescribed manner.

The Punjab Motor Vehicle Taxation Act, 1958

The annual rates of tax applicable under the Act have been enhanced in the following manner:

Description of motor vehicles	Previous Tax Rates	Revised Tax Rates
Vehicles (including tricycles/trucks/trailers/delivery vans) used for the transport or haulage of goods or materials, according to maximum laden capacity in kgs: • Exceeding 4060 up to 8120 • Exceeding 8120 up to 12000 • Exceeding 12000 up to 16000 • above 16000	 • Rs 2,200 • Rs 4,000 • Rs 6,000 • Rs 8,000	 • Rs 6,600 • Rs 12,000 • Rs 18,000 • Rs 24,000
Other vehicles with engine power exceeding 1000 cc but not exceeding 2000 cc..	0.2% of the invoice value	0.3% of the invoice value
Other vehicles with engine power exceeding 2000 cc	0.3% of the invoice value	0.4% of the invoice value

This page is intentionally left blank

The Sindh Sales Tax on Services Act, 2011

Extended Deregistration Disposal Period *(Section 25A)*

The Sindh Finance Act, 2026 has extended the statutory period for disposing of deregistration applications from 90 to 180 days, allowing more time for examination of obligation.

The Sindh Finance Act, 2026 has inserted sub-section (4) to the section 25A as follows:

"(4) The obligations and liabilities of the person relating to the period when he provided any taxable services shall not be affected by the fact that he has e filed his de-registration application or that he has ceased to be a registered person."

De-registration does not absolve a person of their past obligations. Even after filing a de-registration application or ceasing to be a registered person, all tax liabilities, return filing obligations, audit exposure, assessment and recovery proceedings, and penal consequences relating to the period during which taxable services were provided shall remain fully intact and enforceable.

Offences and Penalties *(Section 43)*

The Sindh Finance Act, 2026 has inserted a new penalty in section 43, in the Table, after Sr. No. 2A as per the following:

Offences	Penalties
2AA. Any person who designs, develops, customizes or supplies invoicing software enabling issuance of invoices not conforming to the requirements of sub-rule (I) of rule 29 of the Sindh Sales Tax on Services Rules, 2011 or of rille 6 of the Sindh Sales Tax Special Procedure (Online Integration of Business) Rules, 2022	Such person shall be liable to a penalty of upto one million rupees, but not less than one hundred thousand rupees.

Registered Person to Display Notice, Message or Information *(Section 52A)*

The Sindh Finance Act, 2026 has inserted section 52A where the registered persons are required to display tax-related notices or messages as directed by the Commissioner, enhancing public tax awareness. Such display may be through print or multimedia and must be placed at a conspicuous location on the registered person’s premises, accessible to the general public, enhancing public tax awareness.

Prescribed Timeframes for Inquiry and Appeal Disposal by the Commissioner *(Section 59)*

The Sindh Finance Act, 2026 has introduced a 60-day deadline for completion of any further inquiry ordered by the Commissioner (Appeals) during appeal proceedings. Previously, while the Commissioner (Appeals) held the power to conduct such inquiries, no specific time limit was prescribed for their completion.

Recovery Proceedings *(Section 66)*

The Sindh Finance Act, 2026 has extended the protection against recovery proceedings to taxpayers who have filed a further appeal before the Appellate Tribunal Inland Revenue, in addition to those with appeals pending before the Commissioner (Appeals).

This protection now comes at a higher cost. A taxpayer must deposit 20% of the disputed tax amount upfront, double the previous requirement of 10%, in order to stay any coercive recovery action during the pendency of the appeal.

Disclosure of Information *(Section 73(A))*

The Sindh Finance Act, 2026 has inserted section 73(A) relating to confidentiality and disclosure of information.

1. All particulars contained in:

    a) any statement made, return furnished, accounts or documents produced under the provisions of this Act; or

    b) any evidence given, or affidavit or deposition made in the course of any proceedings under this Act; or

    c) any record of any assessment proceeding or any proceeding relating to the recovery of a demand, shall be confidential of and an officer of the SRB, or its Chairman, Member or Secretary, or any public servant shall not, save as provided in this Act, disclose any such particulars.

2. Nothing contained in sub-section (1) shall preclude the disclosure of any such particulars to any person acting in the execution of this Act, where it is necessary to disclose the same to him for the purposes of this Act.

3. Nothing contained in sub-section (1) shall preclude disclosure of any information to any department or authority of the Federal Government or a Provincial Government, which authorized under the respective law to have access to such information, or in terms of an agreement made by the Board with such department or authority on bilateral or multilateral basis for the purposes of enabling such department or authority to enforce a tax or levy as is collected by it.

FIRST SCHEDULE

(A) Amendments to the List of Existing Exempt Services

Following amendments have been made in the existing list of exempt services:

Sr. No.	Description of Services	Previous Condition and Restriction	Revised Condition and Restriction
6.	Storage and warehousing services	The exemption shall be applicable to services provided or rendered in relation to food and agricultural commodities.	The exemption shall be applicable to services provided or rendered in relation to food grains and fresh vegetables and fruits not subjected to further processing.
10.	Insurance and pension services (excluding reinsurance services), except compulsory social security services	The exemption shall be applicable to services provided or rendered in relation to– Life insurance, other than group life insurance, of individuals for insurance policy coverage of upto five hundred thousand rupees	The exemption shall be applicable to services provided or rendered in relation to– Life insurance, other than group life insurance, of individuals for insurance policy coverage of upto thirty-five hundred thousand rupees.
30.	Education services	The exemption shall not be applicable to; (1) the services where the amount of fee/charges for such services exceed rupees five hundred thousand per annum per student; and (2) sports education services falling in CPC Code 92912 provided by a person other than an individual.	The exemption shall be applicable to; (1) pre-primary, primary, secondary, post-secondary non-tertiary and tertiary education services, falling under CPC codes from 921 to 925, where the amount of fee/charges for such services does not exceed rupees five hundred thousand per annum per student; (2) sports education services, falling under CPC Code 92912, provided by an individual being not an employee; and (3) special education for the children with special needs and education under adult literacy programme.

(B) Newly Introduced Exempt Services

Reinsurance Services

Previously, certain types of insurance and pension services (excluding reinsurance services) were exempt from Sindh Sales Tax under Serial No. 10 of the First Schedule. The Sindh Finance Act, 2026 has inserted a separate entry to extend the exemption to reinsurance services provided or rendered in relation to crop insurance and marine insurance for exports.

SECOND SCHEDULE

Amendments to the List of Services Liable to Tax at a Rate Lower

The Sindh Finance Act, 2026 has made the following amendments in the list of services liable to tax at a rate lower than the standard rate:

	Sr. No	Description of Services	Rate	Condition and Restrictions
Previous	1	Construction Services	8%	Nil
Revised	1	Ready mix concrete services	8%	Nil
	1A	Services of dredging and rock and silt removal	8%	Nil
	1B	Construction Services	(a) Rs 100 per square yard of land; and (b) (b) Rs 50 per square foot of constructed covered area	This rate shall apply to services provided or rendered by property developers or promoters

SECOND SCHEDULE

Amendments to the List of Services Liable to Tax at a Rate Lower than Standard Rate

The Sindh Finance Act, 2026 has made following amendments in the list of services liable to tax at a rate lower than standard rate:

	Sr. No	Description of Services	Rate	Condition and Restrictions
Previous	7	Road transport services of freight	8%	Nil
Revised	7	Road transport services of freight except transportation of petroleum oils through oil tankers	8%	Nil

	Sr. No	Description of Services	Rate	Condition and Restrictions
Previous	13	Freight transport agency services and other freight transport services	Rs. 1,000 per bill	The rate shall apply to the services provided or rendered by freight forwarding agents in respect of issuance of bill of lading, house bill of lading, airway bill and house airway bill.
Revised	13	Ready mix concrete services	8%	Nil

	Sr. No	Description of Services	Rate	Condition and Restrictions
Previous	16	Insurance brokerage and agency services	5%	Nil
Revised	16	Insurance brokerage and agency services	2%	This rate shall apply to services of insurance agent
			3%	This rate shall apply to services of insurance brokers

SECOND SCHEDULE

Amendments to the List of Services Liable to Tax at a Rate Lower than Standard Rate

The Sindh Finance Act, 2026 has made following amendments in the list of services liable to tax at a rate lower than standard rate:

	Sr. No.	Description of Services	Rate	Condition and Restrictions
Previous	22	Legal and accounting services	8%	Nil
Revised	22	Legal services Tax consultancy and preparation services Insolvency and receivership services	8%	Nil

	Sr. No	Description of Services	Rate	Condition and Restrictions
Previous	34	Maintenance and repair services of fabricated metal products, machinery and equipment Repair services of other goods	8%	Nil
Revised	34	Repair services of other goods	8%	Nil

	Sr. No	Description of Services	Rate	Condition and Restrictions
Previous	38	Education services	3%	The rate shall apply to– (1) the services where the amount of fee/ charges for such service exceeds Rs 500,000 per annum per student; and (2) the training services.

SECOND SCHEDULE

Amendments to the List of Services Liable to Tax at a Rate Lower than Standard Rate

The Sindh Finance Act, 2026 has made following amendments in the list of services liable to tax at a rate lower than standard rate:

	Sr. No	Description of Services	Rate	Condition and Restrictions
Revised	38	Education services	3%	This rate shall apply to:– (1) pre-primary, primary, secondary, post-secondary non tertiary and tertiary education services, falling under CPC codes from 921 to 925, where the amount of fee/charges for such services exceeds Rs 500,000 per annum per student (2) (2) Other education and training services and educational support services falling under CPC 929 other than CPC Code 9292.
		Educational support services	5%	Nil

SECOND SCHEDULE

Amendments to the List of Services Liable to Tax at a Rate Lower than Standard Rate

The Sindh Finance Act, 2026 has made following amendments in the list of services liable to tax at a rate lower than standard rate:

	Sr. No	Description of Services	Rate	Condition and Restrictions
Previous	45	Beauty and physical wellbeing services	8%	Nil
			5%	The rate shall apply to the services provided or rendered subject to the condition that— (1) the registered person integrates his POS with SRB's Computerized System for real-time reporting of each sales; and (2) no such service is provided without getting SRB's invoice number and printing the same along with SRB QR code.
Revised	45	Beauty and physical wellbeing services	8%	Nil

Agricultural Income Year

The Sindh Agricultural Income Tax Act, 2025 previously uses two different time concepts:

- "agricultural income year" – the 12-month period in which the income is actually earned; and
- "assessment year" – the 12-month period starting on 1 July after that income year, in which the tax is charged.

The Sindh Agricultural Income Tax Act, 2026 has removed this duplication and retained the time concept of "agricultural income year".

All income tax and super tax under this Act is now tied directly to the agricultural income year, and the separate "assessment year" concept is being dropped.

"Company" and "Small Company" Definitions to Include Co-operative Societies

The definition of "company", which was in line with the Companies Act, 2017 and includes a foreign company, has been expanded so that, for purposes of this Act, it also includes co-operative societies. A parallel change is made to the definition of "small company", with co-operative societies meeting the existing turnover cap and anti-avoidance conditions being brought within the ambit of that definition as well. The Sindh Agricultural Income Tax Act, 2026 has inserted that agricultural activities conducted through co-operative societies are treated on the same footing as those undertaken through companies for the purposes of classification-based rules in the Act.

Default Surcharge for Non-payment or Late Payment of Tax *(Section 10)*

The Sindh Agricultural Income Tax Act, 2025 has inserted an explanation at the end namely:

"Explanation: For the purpose of this section, the tax due does not include the amount of penalty."

Maintenance of Record *(Section 16)*

The Finance Act 2026 has substituted section 16, namely:

"16. Maintenance of Record: An owner shall maintain records and books of accounts as may be prescribed"

Delegation of Functions and Powers of the Board *(Section 22)*

Section 22 previously empowers the Board, subject to such conditions as it deems necessary, to delegate any of its functions and powers to any department of Government or agency for the purposes of the Act.

The law has empowered the Board to delegate any of its functions and powers under the Act to its Chairman or to any Member, subject to such conditions and limitations as it may consider appropriate.

Second Schedule

In line with the amendments in the Income Tax Ordinance, 2001 relating to levy of super tax, the Sindh Agricultural Income Tax Act, 2026 has abolished super tax for persons having agricultural income not exceeding Rs 500 million. Now the super tax is levied at the rate of 8% only where agricultural income exceeds Rs 500 million as against the previously applicable rate of 10%.

This page is intentionally left blank

Tax Planning Guide

Income Tax Ordinance, 2001

Compliance Requirement and Deadlines

What Year End Can a Taxpayer Adopt?

Person	Tax Year Type	Year End
Companies, AOPs and Individuals	Normal Tax Year	July 01 to June 30
Sugar	Special Tax Year	October 01 to September 30
Banking and Insurance Companies	Special Tax Year	January 01 to December 31
Ginners, Rice Huskers, Oil Mills	Special Tax Year	September 01 to August 31
Shawl Manufacturers	Special Tax Year	April 01 to March 31

When to File the Return of Income?

Status	Year End	Date of Filing	Tax Year
Salaried Individual & Non-corporate Taxpayer (falling under FTR)	June 30, 2026	September 30, 2026	2026
Other Individuals & AOPs	June 30, 2026	September 30, 2026	2026
Company (including falling under FTR)	June 30, 2026	December 31, 2026	2026
Company	September 30, 2026	September 30, 2027	2027
Company	December 31, 2026	September 30, 2027	2027

When to Pay Advance Tax by an AOP or Company?

Period	Quarter	Payment Date
1st July to 30th September	September Quarter	On or before the 25th of September
1st October to 31st December	December Quarter	On or before the 25th of December
1st January to 31st March	March Quarter	On or before the 25th of March
1st April to 30th June	June Quarter	On or before the 15th of June

- For individuals, the advance tax for each quarter is payable on or before the 15th day of the respective due month, i.e., 15 September, 15 December, 15 March, and 15 June.
- For advance tax calculation, if turnover is not provided or known, it will be considered as one-fourth of 120%.

Who is Required to Pay Advance Tax?

- Every business individual whose latest assessed taxable income excluding the presumptive tax income is Rs. 1,000,000 or more
- Every Association of Person
- Every Company

Individual and Corporate Tax Planning Guide

Initial and First Year Allowance

- The rate of initial allowance under Section 23 shall be 25% for plant and machinery.
- The rate of first year allowance under Section 23B shall be 90%.
- From July 1, 2022, 100% depreciation will be allowed in the year of purchase.

Tax Depreciation Rates

Description	Rate
Building (all types)	10%
Furniture (including fittings) and machinery and plant (not otherwise specified), Motor vehicles (all types), ships, technical or professional books	15%
Computer hardware including printer, monitor and allied items, machinery and equipment used in manufacture of IT products, aircrafts and aero engines	30%
In case of mineral oil concerns the income of which is liable to be computed in accordance with the rules in Part-I of the Fifth Schedule: • Offshore platform and production installations	20%
A ramp built to provide access to persons with disabilities not exceeding Rs. 250,000 Each	100%

Allowances and Tax Credits

Sec	Particulars	Benefit	Limit
60	Zakat	Deductible Allowance	No Limit
60A	Workers' Welfare Fund	Deductible Allowance	No Limit
60B	Workers' Participation Fund	Deductible Allowance	No Limit
60D	Education Expenses	Deductible Allowance (Subject to maximum taxable income of individual for claiming deductible allowance is Rs. 1,500,000)	Lower of: • 5% of the total tuition fee paid by the individual • 25% of the person's taxable income for the year; and • An amount computed by multiplying Rs. 60,000 with number of children of the Individual.

Sec	Particulars	Benefit	Limit
61	Charitable Donations	Tax Credit	Tax Credit: (A/B)*C A= Assessed amount of tax for the year before any tax credit. B= Taxable income for the year. C= Lower of: • Total amount of person's donations during the year or • 30% of taxable income in case of individual and AOP or • 20% of taxable income in case of company • In case of Donation to Associate 1. 15% of taxable income in case of individual and AOP. 2. 10% of taxable income in case of company.
63	Approved Pension Fund	Tax Credit	Tax Credit: (A/B)*C A= Assessed amount of tax for the year before the allowance of tax credit under this section. B= Taxable income for the year. C= Lower of: • The total contribution or premium paid or • 20% of the person's taxable income
63A	Interest Paid on Low Cost Housing Loan	Tax Credit	Tax Credit: (A/B)*C A=Assessed amount of tax for the year before the allowance of tax credit under this section. B=Taxable income for the year. C=Lower of: • The total profit on debt paid or • 30% of the person's taxable income
64B	Employment Generation by Manufacturers	Tax Credit	2% of tax payable for every 50 employees registered with The Employees Old Age Benefits Institution or the Employees Social Security Institutions of Provincial Governments subject to maximum of 10% of tax payable
64D	Point of Sale (POS)	Tax Credit	• Tax credit 10% of the amount actually invested in respect of expenditure incurred exclusively on the purchase, acquisition, installation or implementation of equipment, hardware, software or other electronic components directly and exclusively utilized for such integration.

Sec	Particulars	Benefit	Limit
65B	Tax credit for investment.	Tax Credit	• 10% of amount invested (5% for TY 2019; 20% via 100% new equity for companies set up before 1 Jul 2011) Company owning industrial undertaking in Pakistan; plant & machinery installed between 1 Jul 2010 – 30 Jun 2019 for extension, expansion, balancing, modernization or replacement
65E	Industrial Undertakings Established Before July 01, 2011	Tax Credit	Tax Credit: A* (B/C) A= Assessed amount of tax for the year or B= Equity raised through issuance of new share for cash consideration or C= Total amount invested
65F	Coal Mining Projects and Startup	Tax Credit	100% Tax Credit upon fulfillment of conditions
65G	Specified Industrial Undertakings.	Tax Credit	25% of the eligible investment a) Eligible Persons are: Green field industrial undertaking [clause 27A/s.2] engaged in manufacture/ processing of goods or ship building; incorporated between 30 Jun 2019 to 30 Jun 2024; not formed by splitting, reconstitution, transfer of existing assets, or part of expansion project b) Renewable energy undertaking set up by 30 Jun 2023; manufactures plant, machinery or equipment with dedicated use for solar/wind energy generation; benefit available for 5 years from date of set up.

Rate of Tax for Companies

Type of Company	Rates		
	Tax Year 2025	Tax Year 2026	Tax Year 2027
Banking Company	44%	43%	42%
Small Company	20%		
Any other company	29%		

Super Tax under section 4C

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

Exporter having more than 80% of turnover from export proceeds are excluded from the payment of Super Tax under Section 4C.

Rate of Tax for Individual and AOP

The rates of tax imposed on the taxable income of every individual and AOP shall be as set out in the following table:

Income Brackets	Rates
Taxable income not exceeding Rs. 600,000	NIL
Taxable income exceeding Rs. 600,000 but not exceeding Rs. 1,200,000	15% of the amount exceeding Rs. 600,000
Taxable income exceeding Rs. 1,200,000 but not exceeding Rs. 1,600,000	Rs. 90,000 + 20% of the amount exceeding Rs. 1,200,000
Taxable income exceeding Rs. 1,600,000 but not exceeding Rs. 3,200,000	Rs. 170,000 + 30% of the amount exceeding Rs. 1,600,000
Taxable income exceeding Rs. 3,200,000 but not exceeding Rs. 5,600,000	Rs. 650,000 + 40% of the amount exceeding Rs. 3,200,000
Taxable income exceeding Rs. 5,600,000	Rs. 1,610,000 + 45% of the amount exceeding Rs. 5,600,000

- Business individual and AOP whose taxable income for the year exceeds Rs 10 million, a surcharge shall be payable at the rate of **10%** of the income tax.
- AOP being a Professional Firm, highest slab of 45% shall be reduced to 40%

Rate of Tax for Salaried Individual

The rates of tax imposed on the taxable income of every salaried individual where the salary exceeds 75% of the total taxable income shall be as set out in the following table:

Taxable Income	Rates
Where taxable income does not exceed Rs. 600,000	Nil
Exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	1% of amount exceeding Rs. 600,000
Exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs. 6,000 + 11% of amount exceeding Rs. 1,200,000
Exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs. 116,000 + 20% of amount exceeding Rs. 2,200,000
Exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 316,000 + 25% of amount exceeding Rs. 3,200,000
Exceeds Rs. 4,100,000 but does not exceed Rs. 5,600,000	Rs. 541,000 + 29% of amount exceeding Rs. 4,100,000
Exceeds Rs. 5,600,000 but does not exceed Rs. 7,000,000	Rs. 976,000 + 32% of amount exceeding Rs. 5,600,000
Exceeds Rs. 7,000,000	Rs. 1,424,000 + 35% of amount exceeding Rs. 7,000,000

Rate of Tax for Pensioners

Income Brackets	Rates
Received amount of pension does not exceed Rs. 10,000,000	0%
Received amount of pension exceeds Rs.10,000,000	5% of the amount exceeding Rs. 10,000,000 (applicable only 'Individual' age is below 70 years)

Rate of Tax for Director's Fee

Income Brackets	Rates
Payment for directorship fee or fee for attending board meeting or such other fee	20% of the gross amount payable

Comparison of Tax Liability on Salary Income

Annual Taxable Salary	TAX YEAR 2026	TAX YEAR 2027	Tax Saving
Rs. 1 Million	Rs. 4,000	Rs. 4,000	-
Rs. 2 Million	Rs. 94,000	Rs. 94,000	-
Rs. 3 Million	Rs. 276,000	Rs. 276,000	-
Rs. 4 Million	Rs. 586,000	Rs. 516,000	Rs. 70,000
Rs. 5 Million	Rs. 931,000	Rs. 802,000	Rs. 129,000
Rs. 6 Million	Rs. 1,281,000	Rs. 1,092,000	Rs. 189,000
Rs. 7 Million	Rs. 1,631,000	Rs. 1,424,000	Rs. 207,000
Rs. 8 Million	Rs. 1,981,000	Rs. 1,774,000	Rs. 207,000
Rs. 9 Million	Rs. 2,331,000	Rs. 2,124,000	Rs. 207,000
Rs. 10 Million	Rs. 2,681,000	Rs. 2,474,000	Rs. 207,000



Withholding Tax Rate on Rental for Individuals and AOP

The income tax rates applicable to rental income are outlined in the table below:

Sr. No.	Gross Amount of Rent	Rate of Tax
1.	Where the gross amount of rent does not exceed Rs. 300,000	Nil
2.	Where the gross amount of rent exceeds Rs. 300,000 but does not exceed Rs. 600,000	5% of the gross amount exceeding Rs. 300, 000
3.	Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 2,000,000	Rs. 15,000 + 10% of the gross amount exceeding Rs. 600, 000
4.	Where the gross amount of rent exceed Rs. 2,000,000	Rs. 155,000 + 25% of the gross amount exceeding Rs. 2,000,000

Every person making payment to a company on account of rent is required to deduct tax @ 15%.

Capital Gain on Disposal of Securities

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

Sr. No.	Holding Period	Tax Year 2027			
		For Securities acquired between 1st day of July, 2022 and 30th June, 2024 (both dates inclusive)	For securities acquired on or after 1st day of July, 2024	For securities acquired on or after 1st day of July, 2013 but before June, 2022	For securities acquired before the July 01,2013
1.	Where the holding period does not exceed one year	15%	15%	12.5%	0%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%			
3.	Where the holding period exceeds two years but does not exceed three years	10%			
4.	Where the holding period exceeds three years but does not exceed four years	7.5%			
5.	Where the holding period exceeds four years but does not exceed five years	5%			
6.	Where the holding period exceeds five years but does not exceed six years	2.5%			
7.	Where the holding period exceeds six years	0%			
8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	5%	5%	5%

In the case of Stock Funds if dividend receipts of fund are less than the capital gain then the rate of tax deduction shall be 15%. Capital Gain Tax shall be deducted at the rates specifies below:

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

Capital Gain on Disposal of Immovable Properties Division VIII, Part 1, First Schedule

The amount of any gain arising on disposal of an immovable property shall be computed as per the below table:

Sr. No.	Holding Period	Tax Rates			
		on properties acquired on or before June 30, 2024			on properties acquired on or after July 01, 2024
		Open Plots	Constructed Property	Flats	
1.	Where the holding period does not exceed one year	15%	15%	15%	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5%	
3.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	-	
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-	
5.	Where the holding period exceeds four years but does not exceed five years	5%	0%	-	
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-	
7.	Where the holding period exceeds six years	0%	-	-	

However, Non-Filers to be taxed under NTR with a minimum rate of 15% and a maximum rate of 45%.

This page is intentionally left blank

Withholding Tax Rate Card

Income Tax Ordinance, 2001

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
Section 148 – Imports		
Import of goods classified in Part I of the Twelfth Schedule	1% of import value	MTR - Commercial Imports Adjustable - Industrial Undertaking Usage
Import of goods classified in Part II of the Twelfth Schedule	- 2% of import value - 3.5% for commercial importer	
Import of goods classified in Part III of the Twelfth Schedule	- 5.5% of Import Value - 6% for Commercial Importer	
Manufacturer covered under SRO. 1125(i)/2011 dated 21.12.2011 and importing items covered under this SRO.	1%	MTR
Persons importing finished pharmaceutical products not manufactured in Pakistan as certified by Drug Regularity Authority of Pakistan	4%	MTR
Importer of CKD kits of electric vehicles – SUVs with 50 kwh battery or below and LCVs with 150 kwh battery or below	1%	MTR
Section 149 – Salary		
Salary paid by Employer	Average Rate of Tax	NTR
Section 150 – Dividend		
Dividend paid by independent power purchaser	7.50%	FTR
Other Companies	15%	FTR
Mutual Funds	15% on the portion related to equity investment 25% on the portion related to debt securities	FTR
Dividend received by REIT scheme from SPV	0%	FTR
Dividend received by others from SPV	35%	FTR
Dividend paid by a company where no tax is payable by such company due to exemption of income etc.	25%	FTR
Section 151 - Profit on Debt		
Profit on debt paid by a banking company or financial institution	20%	FTR- up to Rs. 5M NTR- if exceeds Rs. 5M
Profit on debt on government securities paid to any person other than individual	20%	FTR- up to Rs. 5M NTR- if exceeds Rs. 5M
Profit on debt in cases other than mentioned above	15%	FTR- up to Rs. 5M NTR- if exceeds Rs. 5M
151(A) – Gain Arising on Debt Securities		
Gain on debt securities under Investor Portfolio Securities	20%	FTR

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
Section 151(B) - Life Insurance Payouts		
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%	FTR
Where payout or benefit is made after one year but before completion of four years from the date of issuance of the life insurance policy, family takaful certificate or plan.	10%	FTR
Section 152 - Payment to Non-Resident		
Royalty or Fee for technical services	15%	FTR
In other case	10%	FTR
Contract for construction, assembly, installation projects, supervisory activities and advertisement services by TV satellite channel	7%	MTR
Payment of insurance or re-insurance premium	5%	MTR
Payment for advertisement services to media person	10%	MTR
Payment for foreign produced commercial for advertisements on any television channel or any other media	20%	FTR
Other payments to non-resident except payments covered under section 149, 150, 156 and 233.	20%	FTR
Sale of goods to companies	5%	MTR
Sale of goods to other persons	5.5%	MTR
IT or IT enabled services	4%	MTR
All specified services other than IT or IT enabled services (rendering of transport, freight forwarding, air cargo, courier, manpower, hotel, security guard, software development, tracking, advertising (other than by print or electronic media), share register, engineering, car rental, building maintenance services and services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services, Oilfield Services)	8%	MTR
Rendering of Services:		
• Company	15%	MTR
• Other than company	15%	MTR

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
Section 152 - Payment to Non-Resident		
Execution of Contract (other than for supply of goods & rendering of service):		
• Sportsperson	15%	MTR
• Other than sportsperson	8%	MTR
Profit on debt paid to Individual	10%	FTR
Section 153 - Payments for Goods, Services and Contracts		
Sale of Goods:		
• Sale of rice, cotton seed or edible oil	1.50%	MTR
• Sale by distributors, dealers, sub dealers, wholesalers and retailers of FMCG goods, fertilizers, electronics excluding mobile phones, sugar, cement and edible oil	0.25%	MTR
• Sale by distributors of cigarettes	2.5%	MTR
• Sale by distributors of pharmaceutical products	1%	MTR
• Sale of gold, silver and such articles	1%	MTR
• Sale of any other goods excluding Toll Manufacturing:		
i. Company	5%	NTR
ii. Other than Company	5.50%	MTR
• Sale of Toll Manufacturing Goods:		
i. Company	9%	NTR
ii. Other than Company	11%	MTR
Rendering of Services:		
IT & IT enabled services	4%	MTR

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
Rendering of Services: Specified services of transport, freight forwarding, air cargo, courier, manpower, hotel, security guard, software development, tracking, advertising (other than by print or electronic media), share register, engineering including architectural, warehousing, services rendered by asset management company, data services, telecommunication Infrastructure, car rental, building maintenance services and services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services, Oilfield, telecommunication, collateral management, travel and tour, REIT management services, services rendered by National Clearing Company of Pakistan Limited.)	7%	MTR
Independent professional services such as doctors, lawyers, architects, accountants, software engineers or developers working independently	15%	
Companies for rendering or providing terminal and port operating services	12%	
Advertising services to electronic and print media	1.5%	
Other Services: • Company • Other than company	14% 14%	
Execution of Contract (other than supply of goods & rendering of services)		
• Sportsperson	15%	MTR
• Company	7.50%	NTR
• Other case	8%	MTR
Exporter or export house for rendering of service of stitching, dying, printing, embroidery, washing, sizing and weaving	1%	MTR
Payment for Digital Transations in E-commerce platforms		
• On payment through Digital Means or banking channels by payment intermediary	1%	FTR*
• On payment through Cash on Delivery by courier service	2%	FTR*

*NTR / adjustable tax where the annual turnover exceeds Rs. 200 million. Taxpayers with turnover up to Rs. 200 million may opt out of the final tax regime when filing their tax return.

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
Section 154 – Exports		
Export of goods	1.25%	MTR
For sale proceeds of goods to exporter under Back to Back LC or any other arrangement		
Export processing zone		
Direct exporter and registered export house		
Collector of customs		
Section 154A - Export of Services		
Export of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board	0.25% of proceeds	FTR
Any other case	1% of proceeds	FTR
Section 154B		
Withholding tax on revenues received from social media platforms.	5%	MTR (for resident) FTR (for non-resident)
Section 155 - Income from Property		
•*In case of Individual and AOP* i. Where the gross amount of rent does not exceed Rs. 300,000	Nil	NTR
ii. Where the gross amount of rent exceeds Rs. 300,000 but does not exceed Rs. 600,000	5% of the gross amount exceeding Rs. 300,000	
iii. Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 2,000,000	Rs. 15,000 + 10% of the gross amount exceeding Rs. 600,000	
iv. Where the gross amount of rent exceeds Rs. 2,000,000	Rs. 155,000 + 25% of the gross amount exceeding Rs. 2,000,000	
•*In case of Company*	15%	NTR
Section 156 - Prizes and Winnings		
Prize on prize bonds or crossword puzzle	15%	FTR
Prize on winning of the quiz, winning from raffle, lottery & prize offered by companies for promotion on sales	20%	FTR
Section 156A - Petroleum Products		
Payment of commission to petrol pump operators	12%	FTR

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
Section 231AB – Cash Withdrawal		
Cash withdrawal exceeding Rs. 50,000	• Filer 0% • Non-Filer 0.8%	• Adjustable
Purchase of motor vehicle having engine capacity: • Up to 850CC • 851CC to 1000CC • 1001CC to 1300CC • 1301CC to 1600CC • 1601CC to 1800CC • 1801CC to 2000CC • 2001CC to 2500CC • 2501CC to 3000CC • Above 3000CC	 0.5% of the value 1% of the value 1.5% of the value 2% of the value 3% of the value 5% of the value 7% of the value 9% of the value 12% of the value	Adjustable
Leased Motor Vehicles	4% of the value of Motor Vehicle (Only in case of In-Active Taxpayers)	Adjustable
Transfer of registration or ownership of a private motor vehicle manufactured locally having engine capacity: • Up to 850CC • 851CC to 1000CC • 1001CC to 1300CC • 1301CC to 1600CC • 1601CC to 1800CC • 1801CC to 2000CC • 2001CC to 2500CC • 2501CC to 3000CC • Above 3000CC	 Nil Rs. 5,000 Rs. 7,500 Rs. 12,500 Rs. 18,750 Rs. 25,000 Rs. 37,500 Rs. 50,000 Rs. 62,500	Adjustable
Sale of locally manufactured motor vehicle prior to registration having engine capacity: • Up to 1000CC • 1001CC to 2000CC • 2001CC and Above	 Rs. 100,000 Rs. 200,000 Rs. 400,000	Adjustable
Section 233 - Brokerage and Commission		
Advertising agents	10%	MTR
All others	12%	MTR
Life Insurance Agents where commission received is less than Rs. 0.5 Million per annum	8%	MTR

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
Section 234 - Tax on Motor Vehicles		
In case of Non Air Conditioned passenger transport vehicle having seating capacity of:		Adjustable
• 4 or more people but less than 10 person	• Rs. 500 per Seat	
• 10 or more people but less than 20 person	• Rs. 1,500 per Seat	
• 20 or more people	• Rs. 2,500 per Seat	
In case of Air Conditioned passenger transport vehicle having seating capacity of:		Adjustable
• 4 or more people but less than 10 person	• Rs. 1,000 per Seat	
• 10 or more people but less than 20 person	• Rs. 2,000 per Seat	
• 20 or more people	• Rs. 4,000 per Seat	
Other motor car having engine capacity of:	**Annual / Lump sum**	Adjustable
• Up to 1000CC	• Rs. 800 / 10,000	
• 1001CC to 1199CC	• Rs. 1,500 / 18,000	
• 1200CC to 1299CC	• Rs. 1,750 / 20,000	
• 1300CC to 1499CC	• Rs. 2,500 / 30,000	
• 1500CC to 1599CC	• Rs. 3,750 / 45,000	
• 1600CC to 1999CC	• Rs. 4,500 / 60,000	
• 2000CC and above	• Rs. 10,000 / 120,000	
Section 235 - Electricity Consumption		
Where the amount of bill:		**Other than company** MTR up to bill amount Rs. 360,000 p/a Adjustable-bill amount exceeding Rs.30,000/month
• Does not exceed Rs. 500	• Nil	
• Exceeds Rs. 500 but does not exceed Rs. 20,000	• 10% of Amount	
• Exceeds Rs. 20,000		
• For Commercial Consumer	• Rs. 1,950 + 12% exceeding Rs. 20,000	
• For Industrial Consumer	Rs. 1,950 + 5% exceeding Rs. 20,000	

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
Domestic Electricity Consumption:		Adjustable
Where the amount of bill		
• Less than Rs. 25,000	• Nil	
• Rs. 25,000 or more	• 7.50%	
Section 236 - Telephone and Internet Users		
Telephone subscriber where the monthly bill exceeds Rs. 1,000	10%	Adjustable
Subscriber of internet, mobile telephone and pre-paid internet or telephone cards	15% 75% in case of G.O. u/s 114B	Adjustable
Section 236A – Advance Tax at the Time of Sale by Auction		
Sale of any property or goods by auction	10%	Adjustable
Tax collected on the lease of the right to collect tolls	10%	Final
Sale of immovable property by auction	5%	Adjustable
Section 236C - Advance Tax on Sale or Transfer of Immovable Property		
Sale or transfer of immovable property		NTR
• Active Taxpayer	• 2.75%	
Section 236G - Advance Tax on Sales to Distributors, Dealers and Wholesalers		
• Fertilizers (Persons appearing in ATL of Income Tax and Sales Tax)	• 0.25%	NTR
• Fertilizers (Persons appearing in ATL of Income Tax)	• 0.7%	
• Fertilizers (Persons not appearing in ATL)	• 1.4%	
• Other than Fertilizers (Persons appearing in ATL)	• 0.10%	
• Other than Fertilizers (Persons not appearing in ATL)	• 2%	
Section-236H Advance Tax on Sales to Retailers		
• Sales to retailers (Persons Appearing in ATL) • Sales to retailers (Persons not appearing in ATL)	• 0.5% • 2.5%	NTR
Section-236K Advance Tax on Purchase of Immovable Property		
Fair market value of immovable property • Active Taxpayer	• 1.25%	Adjustable
Section-236Y Advance Tax on Amount Remitted Abroad through Credit/ Debit/ Prepaid Cards		
Tax on Amount Remitted Abroad through Credit/ Debit/ Prepaid Cards	• 0.5% of the gross amount	Adjustable
Section-236Z Bonus Shares Issued by Companies		
Tax on Bonus Shares Issued by Companies	• 10% of the value of Bonus Shares including Bonus Shares Withheld	FTR

Notes:

- NTR = Normal Tax Regime, MTR = Minimum Tax Regime, FTR = Final Tax Regime
- For Inactive Taxpayers, withholding tax rate will be increased by 100% except under section 231B where withholding tax rate will be increased by 200%

Advance Tax on Sales of Immovable Property

(Section 236C, Division X, Part IV of First Schedule)

Sr. No.	Amount	Tax Rates	
		Tax Rate (For Active Taxpayers)	**Tax Rate (For In-Active Taxpayers)**
1.	Fair market value of the property	2.75%	11.5%

Advance Tax on Purchase of Immovable Property

(Section 236K, Division XVII, Part IV of First Schedule)

Sr. No.	Amount	Tax Rates	
		Tax Rate (for Active Taxpayers)	**Tax Rate (for In-Active Taxpayers)**
1.	Where the gross amount of the consideration received does not exceed Rs. 50 million	1.25%	10.5%
2.	Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs. 100 million		14.5%
3.	Where the gross amount of the consideration received exceeds Rs. 100 million		18.5%

Reduction in Advance Tax on Foreign Remittances Through Debit, Credit and Prepaid Cards

(Division XXVII of Part IV of the First Schedule)

The Finance Act, 2026 substantially reduces the rate of advance tax applicable on foreign remittances and foreign currency transactions undertaken through debit cards, credit cards as below:

Particulars	Rate
Advance tax on foreign remittances through debit, credit and prepaid cards	0.5%

This page is intentionally left blank

Contact Information

Head Office

Lahore

7th Floor, Gul Mohar Trade Centre
8-F, Main Market, Gulberg 2,
Lahore, 54660, Pakistan
Tel: +92-42-35759223-5
Email: info@crowe.pk

Other Offices

Islamabad Offices

House No. 982, Street 21, Phase 4,
Bahria Town, Islamabad.
Tel: 051-5737581-2 / 051-5732505

Office # 13, 1st Floor, Ahmad Center
I-8 Markaz, Islamabad.
Tel: 051-4938139

Karachi Office

Level 4, Plot 31-C, Khayaban-e-Shamsheer, Phase-V, DHA, Karachi.
Tel: 021-35877806-09

Multan Office

2nd Floor, Masood Metro Mall, Bosan Road,
Near BZU, Multan.
Tel: 061-2082052-3

For more information, scan QR code below:

www.crowe.pk

Crowe Hussain Chaudhury & Co. is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Crowe Hussain Chaudhury & Co. and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global.

© 2026 Crowe Hussain Chaudhury & Co.