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Finance Act, 2025

Bulletin on Proposed Tax Changes

Preamble

Dear Reader,

As part of our annual tradition, we are pleased to share our **bulletin** on key insights derived from the *Pakistan Economic Survey 2024–25* and the *Finance Act 2025*. This year's edition highlights pivotal economic shifts and includes our commentary.

The economic landscape in 2024–25 reflects a period of **tentative recovery**. With GDP growth reaching **2.7%**, modestly up from last year's 2.5% yet below the 3.6% target, the economy is steadily emerging from crisis. Inflation has impressively dropped to **4.6–4.7%**, marking a six-decade low, while the central bank's benchmark rate was reduced to **11%**, down from a peak of 22%. A historic **primary surplus** of approximately **3% of GDP** signals improved fiscal discipline.

Despite these positive signs, underlying challenges persist. The agriculture sector—accounting for 24% of GDP—grew a modest **0.56%**, yet flagship crop production fell sharply by **13.5%**, indicating structural vulnerabilities. While industry rebounded with around **4.8% growth**, services advanced by **2.9%**, with both sectors under pressure.

On the bright side, **per-capita income rose nearly 9.8%** to **USD 1,824**, and the **current account posted a surplus of USD 1.9 billion** (July-April), reversing last year's deficit. Foreign exchange reserves have slowly strengthened, and private investment grew **9.9%**, underscoring renewed confidence.

Yet, external imbalances remain concerning. Pakistan's **external debt has reached USD 87.4 billion**, with debt servicing consuming approximately 1.9% of GDP.

In light of these mixed signals, the *Finance Act 2025* seeks to cement gains in macroeconomic stability—balancing tax reform, fiscal restraint, and targeted development. However, the decline in agricultural output, combined with high debt servicing, highlights the need for calibrated support to vulnerable sectors and a renewed focus on structural reform.

We would love to hear your feedback on this bulletin. Kindly, share your feedback at connect@uzandco.com. We also advice our readers to take expert opinion before acting on certain piece of information provided in this document.

Economic Snapshot 2024-25

Economic Snapshot 2024-25

- Real GDP grew by 2.38% in FY25, moderately higher than the previous fiscal year's 2.1%, reflecting cautious optimism amidst ongoing structural adjustments.
- Agriculture sector growth was recorded at 0.56%, significantly lower than FY24 due to declining yields in major crops such as wheat and cotton, despite a marginal recovery in sugarcane.
- Industrial sector witnessed a rebound with 4.8% growth, largely supported by increased manufacturing activity and energy sector stabilization.
- Services sector grew by 2.9%, contributing over 58% to GDP, aided by modest growth in wholesale, retail, and telecom services.
- GDP at current market prices reached approximately Rs121 trillion in FY25, rising from Rs106 trillion last year.
- Per capita income increased by 9.8%, reaching USD 1,824, supported by exchange rate stability and improved remittance inflows.
- Investment-to-GDP ratio remained subdued at 13.4% due to tight fiscal policy and continued political uncertainty.
- Saving-to-GDP ratio improved marginally to 13.3% in FY25, indicating gradual improvement in domestic resource mobilization.
- Automobile sector remained sluggish with minor recovery, still below pre-COVID levels.
- Pharmaceutical sector posted steady growth of 12.6%, driven by local demand and import substitution.
- Food group imports continued to decline, posting a 10.3% decrease and standing at USD 5.7 billion.

- CPI inflation averaged 4.7% during July–May FY25, a significant decline from the previous year's 24.5%, due to improved supply chains and policy tightening.
- Current account recorded a surplus of USD 1.9 billion during July–April FY25, reversing last year's deficit.
- Trade deficit narrowed by 17.2%, attributed to improved export performance and reduced non-essential imports.
- Primary income account deficit widened to USD 6.4 billion, primarily due to higher external interest payments.
- Remittances showed signs of recovery, increasing to USD 24.3 billion, up by 1.7% YoY.
- Financial account recorded net inflows of USD 3.4 billion, backed by IMF and multilateral disbursements.
- FDI inflows improved by 10.6%, totaling USD 1.66 billion in July–April FY25.
- Pakistani Rupee appreciated by 3.0% against the US dollar, driven by improved external account fundamentals.
- Total public debt reached Rs72.3 trillion by end-March FY25, with domestic debt at Rs47.1 trillion and external debt at Rs25.2 trillion.
- Fiscal deficit stood at 3.5% of GDP, marginally better than last year, supported by improved revenue collection.
- Total expenditures reached Rs15.2 trillion, with current expenditure accounting for Rs13.4 trillion, reflecting an 8.9% increase.
- Primary balance posted a surplus of Rs1,825 billion, reinforcing the government's fiscal consolidation efforts.
- Tax revenue grew by 26%, with FBR collection at Rs8.6 trillion, while non-tax revenue increased by 38% YoY.
- The government projects medium-term growth potential at 5.5% by FY27 through continued reforms and investment promotion.

Income Tax Ordinance, 2001

Income Tax Ordinance, 2001

Surcharge on Salaried Individuals [Section 4AB]

The surcharge on salaried individuals earning income above Rs. 10 million has been proposed to reduce to 9% (2024: 10%).

While this reduction is intended to curb the brain drain of highly skilled professionals from Pakistan, we remain skeptical that a mere 1% cut will yield any meaningful impact on such a complex and deep-rooted issue.

Tax on payments for digital transactions in e-commerce platforms [Section 6A]

A new section has been introduced to bring locally operated online platforms, including marketplaces and service delivery apps, into the formal income tax net. The applicable withholding tax rates vary based on mode of payment and type/value of goods/services, as outlined below:

📲 Payments via Digital Channels / Banking Instruments

- 1% on goods or services valued up to Rs. 10,000
- 2% on goods or services valued between Rs. 10,001 – Rs. 20,000
- 0.25% on goods or services valued above Rs. 20,000

💵 Cash on Delivery (COD)

- 0.25% for electronic and electrical goods
- 2% for apparel and clothing
- 1% for all other goods

Platforms such as Daraz will be required to incorporate the applicable tax directly into customer invoices, effectively collecting the tax at the point of sale.

Fair Market Value of Commercial Rent [Section 15(4)]

With this new proviso, the legislature has prescribed a minimum fair market rent for commercial properties, set at 4% per annum of the property's fair market value, as determined under Section 68 of the Income Tax Ordinance, 2001.

Recreational Clubs Income as Taxable [Section 18]

Through this explanation, the legislature has clarified that income derived by recreational clubs was, and continues to be, taxable under the law.

As this clarification is appended to the existing explanation previously applicable to societies, it raises the possibility of retrospective application, potentially opening the door to further litigation and legal challenges.

Disallowance of Expenses from Non-NTN Holders [Section 21]

It is proposed that 10% of expenses attributable to transactions with persons not registered with NTN shall be disallowed for tax deduction purposes. However, purchases of agricultural produce have been specifically excluded from the scope of this provision.

Disallowance of Depreciation for Non-Tax Payment [Section 22]

If tax deductible under Section 152 or 153 on the purchase of a capital asset is not deposited, then depreciation on such asset shall not be allowed as a tax-deductible expense.

Reduction of Useful Life of Intangible Assets [Section 24]

If an intangible asset doesn't have any useful life, then it would be considered 15 years instead of 25 years.

Group Relief for Business Income under NTR [Section 59B]

With this change, the legislator has restricted the scope of group relief to only those business incomes which are subject to tax under normal tax regime i.e. as per the tax rates provided in Division II of Part of First Schedule of the Ordinance.

Tax Credit on Interest for Low-Cost Housing Loan [Section 63A]

With this proposed amendment, the tax credit on interest paid for housing loan, that was earlier withdrawn in previous year, has effectively been restored. A maximum 30% of the taxable income or actual interest paid, whichever is less, would be allowed for tax credit. The housing project should not exceed 2500 sq feet in residential house case and 2000 sq feet in flat case.

Maximum Period to Adjust Minimum Tax [Section 113]

Earlier, a taxpayer can adjust its minimum tax payment against the normal tax liability for next three tax years. Now this period has been reduced to two years.

Restriction of Economic Transactions by Ineligible Person [Section 114C]

Ineligible Persons, the persons, their parents, spouses and dependent children who have filed tax return of immediate last year but that return doesn’t show sufficient resources, 130% of the cash and equivalent assets comprising local and foreign currency, fair market value of gold, NRV of investment securities, and receivables, in the wealth statement or alternatively, a person unable to prove sufficient resources in sources of investment and expenditure statement, are proposed not to undertake the following transactions:

a) Buying and registering of motor vehicle except Rikhshaw, Motorcycle, tractors, pickup vehicle having engine capacity upto 800cc and other vehicles as prescribed.
b) Registering, recording and attesting transfer of any immoveable property of certain value as prescribed.
c) Selling of investment securities and mutual funds of value as prescribed.
d) Opening and maintaining of bank account other than Pensioner’s and Asaan Bank accounts and withdrawing of certain amount of cash from the bank as prescribed.

This marks a significant policy shift introduced through the Finance Act, 2025, as the government moves beyond merely imposing higher tax rates to actively discouraging transactions by non-filers through broader disincentive mechanisms.

However, ambiguities remain regarding the scope of this provision. For instance, it is unclear whether the purchase and ownership transfer of used vehicles would fall within its purview. Moreover, certain high-value transactions—such as gold purchases and the use of bank locker services—should ideally be included under this framework to ensure consistency and enhance its deterrent effect.

Immediate Recovery Proceedings [Section 124]

The legislature has empowered the tax authorities to initiate immediate recovery proceedings upon issuance of an appeal effect order, where the appellate forum has confirmed the tax demand as originally determined in the assessment order.

In cases where the appellate forum partially sets aside the original order, the Commissioner shall issue an appeal effect order limited to the confirmed portion of the tax payable, enabling recovery of the undisputed amount without waiting for further adjudication.

Restoration of Previous Appellant Forums [Section 126A]

The legislature has proposed to restore the previous appealing mechanism where the first forum of appeal was CIR(Appeals) irrespective of the tax demand. But now tax payer has to option to go directly to Tribunal without exhausting CIR(Appeal) forum.

Increase of Days to File Reference in High Court [Section 126A]

It is proposed to increase the time period to file reference in High Court against order of ATIT to 60 days, earlier it were 30 days.

Taxability of Pension [Section 149]

A person below the age of Seventy years and deriving pension income more than 10 million in a tax year would be subject to tax alongwith Surcharge u/s 4AB.

Taxability of Pension [Section 153]

It is proposed that Payment Intermediary and Courier company is required to withhold tax on the gross amount payable at rates provided in Division IVA of Part I of the First Schedule (also provided in Section 6A above). Further, Payment Intermediary and Courier Companies are also declared as Withholding Agents.

Furnishing of Information by Online Marketplace, Payment Intermediary and Courier Service [Section 165C]

The captioned persons are proposed to share quarterly withholding statement.

Exchange of Banking and Tax Info Relating to High Risk Persons [Section 175AA]

Board will share data-based algorithm about High-Risk persons with banks and banks will share the information of transaction those varies with this algorithm.

Posting of Officer of Inland Revenue [Section 175C]

It is proposed to authorize Board or Chief Commissioner to appoint any officer at tax payer premises to monitor production, supply of goods etc.

Appointment of Auditor [Section 222]

The person appointed under this section is also added in the list of officer.

Further proposed that the Board may also appoint as many auditors, not more than 2,000, on contractual basis or through a third-party arrangement, as the case may be, as it deems fit for carrying out the purposes of this Ordinance

Withdrawal of Complete Exemption under 2nd Schedule

- Pensions are removed from 2nd schedule.
- Former FATA regions exemption extended till June 2026
- Teacher / Researcher tax reduction of 25% would be available till June 30, 2025.
- Exemption of audit, if the person is selected for audit during four preceding years have been proposed to reduce to three years.

Key Changes in Tax Rates

Section/Ref	Taxable Income	Rate 2025-26	Rate 2024-25
1st Schedule Div I	**Salaried Person**		
	Where Taxable salary income (each tax rate applied on incremental amount of that slab):		
	○ Doesn't exceed Rs. 600,000	0%	0%
	○ Exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	1%	5%
	○ Exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	11%	15%
	○ Exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	23%	25%
	○ Exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	30%	30%
	○ Exceeds Rs. 4,100,000	35%	35%
1st Schedule Div I	**If person is solely earning pension, annuity, supplement to the pension or annuity and commutation of pension from former employer**		
	○ Amount upto Rs. 10 million	0%	0%
	○ Amount exceeds Rs. 10 million	5%	0%
1st Schedule Div IIB	**Income under section 4C**		
	Where the income:		
	○ Does not exceed Rs. 150 million	0%	0%
	○ Exceeds Rs. 150 million but does not exceed Rs. 200 million	1%	1%
	○ Exceeds Rs. 200 million but does not exceed Rs. 250 million	2%	2%
	○ Exceeds Rs. 250 million but does not exceed Rs. 300 million	3%	3%
	○ Exceeds Rs. 300 million but does not exceed Rs. 350 million	4%	4%
	○ Exceeds Rs. 350 million but does not exceed Rs. 400 million	6%	6%
	○ Exceeds Rs. 400 million but does not exceed Rs. 500 million	8%	8%
	○ Exceeds Rs. 500 million	10%	10%

	For year 2026, all slab rates are reduced by 0.5% except slab rate 1% and 10%		
1st Schedule Div III	**Rate of Dividend on Mutual Funds** • Income derived through Debt • Income derived through Equity	 25% 15%	 15% 15%
1st Schedule Div IIIA	**Rate for Profit on Debt u/s 7B** • By banking company or financial institution • Other	 20% 15%	 15% 15%
1st Schedule Div IIIA	**Rate for Profit on Debt u/s 151** • By banking company or financial institution • Other	 20% 15%	 15% 15%
1st Schedule Div IIIAA	**Gain Arising on Debt Securities u/s 151A** Tax on gross amount of capital gain	 15%	 0% - 15%
1st Schedule Div III	**Tax on Services** ○ Reduced rate services like transport, forwarding except IT and IT-enabled etc. ○ Reduced rate services - IT and IT-Enabled ○ Other services • Company • Other than Company • Media advertising services • Sportsperson	 6% 4% 15% 15% 1.5% 15%	 4% 4% 9% 11% 1.5% 10%
1st Schedule Division X	**Advance tax on sale or transfer of immoveable property u/s 236C** Gross amount consideration from sale: • Does not exceed Rs. 50 million • Exceeds Rs. 50 million but does not exceed Rs. 100 million	 4.5% 5%	 3% 3.5%

	• Exceeds Rs. 100 million	5.5%	4%
1st Schedule Division X	**Advance tax on purchase of immovable property u/s 236K** Fair market value: • Does not exceed Rs. 50 million • Exceeds Rs. 50 million but does not exceed Rs. 100 million • Exceeds Rs. 100 million	 1.5% 2% 2.5%	 3% 3.5% 4%
10th Schedule	**Tax on Persons not Appearing on Active Taxpayer List** ○ Fair market value u/s 236K: • Does not exceed Rs. 50 million • Exceeds Rs. 50 million but does not exceed Rs. 100 million • Exceeds Rs. 100 million ○ Profit on debt ○ Gross amount of consideration received under Section 236C	 10.5% 14.5% 18.5% 40% 11.5%	 12% 16% 20% 35% 10%
10th Schedule	**Tax on Late Filers** ○ Gross amount received u/s 236C: • Does not exceed Rs. 50 million • Exceeds Rs. 50 million but does not exceed Rs. 100 million • Exceeds Rs. 100 million ○ Fair market value u/s 236K: • Does not exceed Rs. 50 million • Exceeds Rs. 50 million but does not exceed Rs. 100 million • Exceeds Rs. 100 million	 7.5% 8.5% 9.5% 4.5% 5.5% 6.5%	 6% 7% 8% 6% 7% 8%
231AB	Advance tax on cash withdrawal for non-active person exceeding Rs. 50,000 in aggregate per day	0.8%	0.6%

Sales Tax Act, 1990

Sales Tax Act, 1990

Definition Revisions (Section 2)

- “Associate” now aligns with Income Tax Ordinance;
- New “input tax” powers enable FBR to disallow provincially taxed services.
- Unregistered taxable supplies, false documents, and suppressed turnover are included in Tax Fraud defination.

E-Invoicing & Licensed Integrators (Section 11A)

Present: Stipulates mandatory issuance of electronic invoices via licensed integrators. Penalty: min Rs 1 million or 1% of suppressed sales.
Old Position: No licensing requirement or standardized compliance.
Change: Tightens invoicing control and compliance mechanisms.

Blacklisting & Suspension (Section 21)

Present: Chief Commissioner can now modify or lift registration suspensions.
Old Position: Only blacklisting review allowed.
Change: Introduces flexibility in compliance correction.

Best-Judgement Assessments (Section 25)

Present: Abatement only if return filed within 60 days of issuance.
Old Position: No timeline; filing anytime stopped assessment.
Change: Strengthens procedural clarity.

Tax-Fraud Investigation Wing (Section 30AB)

Present: Establishes a dedicated wing for detecting and preventing sales tax fraud.
Old Position: No specific sector-focused unit.
Change: Enhances enforcement infrastructure.

Promissory Notes for Refunds (Section 67A)

Present: Taxpayers may claim refunds using promissory notes.
Old Position: No such mechanism was available.
Change: Introduces alternative refund modality.

Changes in Sales Tax Rates

Sr.	Particulars	Rate 2025-26	Rate 2024-25
1	Solar panels (imported)	18%	0% - Exempt
2	Engine ≤ 850 cc motorcars	18%	12.5%
3	Mobile phones (≤ US$500 / > US$500)	18% / 25%	Multi-tier
4	Medicaments	18%	1%
5	Imported chocolates, coffee, cereal bars, pet food	18%	Exempt/Lower
6	Electrical/media equipment, freight bills	18%	Exempt/Lower
7	E-commerce transactions (withholding)	1–2% / 0.25%	Not taxed
8	Machinery/equipment related to agriculture, research, minerals	18%	Exempt

Customs Act, 1969

Customs Act, 1969

Definitions Expanded (Section 2, clauses (eb), (kkaa))

Present: Introduces new terms – “cargo tracking system” and “e-bilty”.
Old Position: No statutory definitions.
Change: Establishes legal footing for digital tracking of goods and electronic waybills through the Customs Board.

Directorate-level Restructuring (Sections 3A, 3B, 3BBB, 3F, 3DD)

Present:
- New Directorate General for Intelligence & Risk Management (3A) with AML powers;
- DG Customs Auction (3B);
- DG Communication & Public Relations (3BBB);
- DG Post-clearance Audit & Internal Audit (3DD);
- Authority to hire short-term technology, audit specialists, goods evaluators (3F).

Old Position:
- Only DG Intelligence & Investigation under AML;
- No standalone Auction or PR directorates;
- Post-clearance audit directorate existed without internal audit;
- No explicit mandate to hire specialists.

De-minimis Threshold Cut (Section 19C)

Present: Lowers de-minimis import value from Rs 5,000 → Rs 500 (post/courier).
Old Position: Duty waived on consignments up to Rs 5,000.

Mutilation/Scrapping Limit (Section 27A proviso)

Present: Scrapping/mutilation allowed up to 10% of imported goods.
Old Position: No quantitative cap.

Enforcement Threshold Raised (Section 32(3A))

Present: Audit/assessment action can only start if the recoverable amount ≥ Rs 100,000.
Old Position: Threshold was Rs 20,000.

Deferred Duty Payment (Section 79)

Present: Importer may pay duty/taxes after assessment for declarations filed before vessel berthing.

Old Position: Payment had to be before filing.

Centralised Assessment & Examination (Section 80 added sub-s (6))

Present: Board may form CAU/CEU units, using AI and digital systems, accessible to designated officers.
Old Position: Only decentralized assessment at ports/customs stations.

Timelines & Penalties (Sections 82, 83, 83C)

Present:
- Goods declaration deadlines tightened (10 days arrival; 3 days clearance; 15 days for export loading).
- Goods not cleared/exported within 30 days risk confiscation/auction.
- Clearance requires duty/tax payment.
- Introduction of "e-bilty" and cargo tracking, non-compliance leads to penalties/seizure.

Old Position:
- Declaration in 15 days (extendable by 5); no fixed timelines; no statutory cargo-tracking regime.

Auction & Confiscation (Sections 156, 169), Court Supervision (Section 201)

Present:
- Remedies for e-bilty tampering, device affixing – fines/jail up to 6 months.
- Courts cannot stay auctions unless guarantee ≥ 50% (sections 169, 201).

Old Position: No specific criminal penalty for e-bilty misuse; court stays allowed without 50% guarantee.

Appeal Periods & Conditions (Sections 179, 194A, 196)

Present:
- Tribunal appeals window extended 30→45 days (+15 day extension); similar changes for appellate court windows and stay conditions.
- Appeals now barred if the appellant didn't appear at adjudication authority.

Old Position: 30-day appeal window, without stricter appearance-based disqualification.

Expanded Powers to Re-open Cases (Section 195)

Present: Director-Generals/Directors empowered to re-open cases by reviewing records.
Old Position: Only Board, Chief Collector, Collector had these powers.

High Court References (Section 196)

Present: Time to file reference starts from "receipt of Tribunal order"; courts may grant stays with 50% guarantee.
Old Position: Time counted from "order date"; no guarantee condition.

Customs Command Fund (Section 225)

Present: Creates fund financed by proceeds from auction of smuggled goods to support anti-smuggling.
Old Position: No such dedicated fund existed.

Digital Enforcement Stations (Section 226)

Present: Board can declare customs check-posts as Digital Enforcement Stations and employ retired military on contract.
Old Position: No such classification or staffing provisions.

Tariff Changes – Customs & Additional Customs Duty (ACD)

According to FBR's Salient Features document:
- Additional Customs Duty cut from 2% → 0% on goods under 0%, 5%, 10% tariff slabs—impacting industrial/consumer imports.

Detailed SROs are expected to list affected goods but general areas include industrial raw materials, machinery, and intermediate goods.

Sectoral Impact

✅ **Beneficiaries:**
- Manufacturing & industrial sectors importing raw materials and machinery will benefit from lower ACD, reducing input costs.
- Exporters and logistics firms gain from streamlined digital tracking, AI-based assessments, and faster clearance.
- Technology and enforcement services see increased demand due to hiring provisions and digital regimes.
- Customs department efficiency will rise from enhanced auditing, proactive enforcement, and new funding.

⚠️ **Less Favored:**
- Smugglers and non-compliant importers, facing stricter limits (mutilation cap, e-bilty enforcement, Customs Command Fund financing).
- Small importers of low-value items (<Rs 500) may now face duties.
- Importers delaying clearances at risk of confiscation due to tighter deadlines and penalties.

Federal Excise Duty Act, 2005 & ICTT

Federal Excise Duty Act, 2005 & ICTT

a) FED on allotment or transfer of immovable property withdrawn.
b) All service providers covered by ICTT shall be required to integrate businesses with the
c) Board's computerized system of real time reporting of provision of services.
d) FBR empowered to introduce negative list of services for ICTT.

Digital Presence Proceeds Tax Act, 2025

Digital Presence Proceeds Tax Act, 2025

Preface

The Act aims to address fiscal challenges of the digital economy by ensuring multinational digital businesses contribute tax revenue to jurisdictions from which they earn. It seeks to:

- Promote tax equity for digital businesses.
- Safeguard revenue from cross-border digital erosion.
- Align taxation with value creation through digital user engagement and infrastructure.

Scope and Applicability

- Applies to foreign vendors with significant digital presence in Pakistan.
- Tax rate: 5% on gross proceeds from digitally ordered goods/services provided to:
  - Individuals ordinarily resident in Pakistan.
  - Companies incorporated in or having a PE in Pakistan.
  - Payments electronically remitted from Pakistan.

Exceptions:

- Transactions tied to a PE in Pakistan are excluded.

Criteria for Significant Digital Presence

A foreign vendor is considered to have a significant digital presence if:

- It has more than five transactions in a fiscal year AND meets at least one of the following:
  - Uses local currency or payment systems.
  - Engages in sustained local promotion or support.
  - Controls delivery or provides post-sale services.
  - Collects local user data.

Advertisement-Specific Provisions

Foreign vendors paying platforms (e.g., Facebook, Google) for ads targeting Pakistani users must:

- Deduct and deposit tax at 5% from gross payments.
- Deposit tax by the 7th of the following month.
- Payment intermediaries must ensure compliance.

Failure to Deduct or Deposit Tax

Four types of defaults:

1. Failure to collect tax.
2. Unauthorized remittances without tax deduction.
3. Non-compliance on ad tax deduction.
4. Failure to deposit deducted tax.
    - Penalty: Tax + surcharge at KIBOR + 3% p.a.
    - Recovery: Follows Income Tax Ordinance process.
    - Right to be heard is guaranteed before recovery.

Reporting Requirements

- Quarterly statements required from:
    - Payment intermediaries (transaction-level data).
    - Digital platforms (ad payers and amounts).
- Penalty for non-filing: Rs. 1 million per default.

Suspension of Remittances

If a foreign advertiser continues advertising for 120 days without paying tax, CIR may:

- Notify payment intermediaries to suspend remittances.

Initiate recovery measures alongside suspension.

Appeals and Administration

- Appeals to ATIR within 30 days of order.
- Further appeal to High Court within 60 days on legal grounds.
- Inland Revenue Department is the administering authority.

New Energy Vehicles Adoption Levy Act, 2025

New Energy Vehicles Adoption Levy Act, 2025

The proposed Act introduces a levy on internal combustion engine (ICE) vehicles to encourage the adoption of new energy vehicles (NEVs) in Pakistan.

Who Pays:

- Manufacturers for locally produced ICE vehicles
- Importers for imported ICE vehicles

Levy Rates:

- <1300 cc: 1%
- 1300–1800 cc: 2%
- >1800 cc: 3%
- Buses & Trucks: 1%

(All rates on invoice/assessed value incl. duties and taxes)

Exemptions Include:

- New energy vehicles (electric, hybrid with ≥50 km range, hydrogen)
- ICE vehicles for export, diplomatic use, or any category notified by the government

Implementation:

- Levy collection and refund to follow Customs and Sales Tax laws
- FBR empowered to make rules and resolve implementation issues

Definitions:

- ICE vehicle: Uses fossil fuels
- NEV: Zero tailpipe emissions (electric, hybrid, hydrogen)
- Applies to all road vehicles including motorcycles, cars, buses, and trucks

Petroleum Products (Petroleum Levy and Carbon Levy) Ord, 1961

Petroleum Products (Petroleum Levy and Carbon Levy) Ord, 1961

A Carbon Levy is proposed on petroleum products (Motor Spirit, High-Speed Diesel, and Furnace Oil) starting FY 2025–26 at the rate of Rs. 2.5 per liter, with rates increasing in FY 2026–27 to Rs. 5 per liter, aligning with climate policy objectives.

Disclaimer

This commentary has been prepared solely for the purpose of providing general guidance and information to our clients and professional associates on the changes proposed through the Finance Act, 2025.

While every effort has been made to ensure the accuracy and completeness of the information contained herein, inadvertent errors or omissions may still occur. We welcome readers to highlight any such discrepancies so that appropriate rectification can be made.

The content of this document does not constitute legal, tax, or financial advice. Users are strongly advised to seek specific professional advice before making any decisions based on the information provided.

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