



# FINANCE ACT 2024

**AMENDMENTS OF INCOME TAX ORDINANCE 2001  
(XLIX OF 2001)**

**BUSINESS ADDRESS (HEAD OFFICE)**

3<sup>rd</sup> floor, Rafi Centre, Plot. No 13,  
Street No. 28, G-7/1, Islamabad.

**Telephone: +9251- 2718336-7**

**E-mail: [info@krw.com.pk](mailto:info@krw.com.pk)  
[www.krw.com.pk](http://www.krw.com.pk)**

**Sharif Uddin Khilji, FCA**  
*Presenter &  
Trainer*

**(Managing Partner)**

Khilji Rahat Waheed (KRW),  
Chartered Accountants

**July 10, 2024**

# Presentation Agenda

## AMENDMENTS IN INCOME TAX ORDINANCE 2001 (XLIX OF 2001)

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# **INCOME TAX ORDINANCE 2001**



# **INCOME FROM SALARY**

## **1A INCOME FROM SALARY**

- 1.1 Tax rates of Salaried Individuals Paragraph 2, Division I, Part I, First Schedule
- 1.2 Surcharge, Section 4AB
- 1.3 Super Tax, Section 4C
- 1.4 Reduction in tax liability of teacher, researcher, Clause 2, Part III, Second Schedule
- 1.5 Deduction of tax by employer, Section 149




**A salaried individual is a person whose salary income is in excess of 75% of his taxable income.**

**The new applicable rates on salaried individuals are as under:**

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

In addition to the above, a surcharge of 10% of tax liability under Division I above is also payable under section 4AB in case of an individual (including salaried individual) or Association of Person having taxable income in excess of Rs.10 million.





The surcharge is applicable in respect of tax liability under Division I only therefore if a person has FTR or fixed tax regime income, such FTR/ Fixed tax regime income and tax liability thereupon shall not be considered for the purpose of calculation of surcharge.

Section 149 has been modified whereby the employer is required to estimate tax liability including surcharge under section 4AB and deduct tax from salary accordingly.

Teachers and researchers working in Government and non-profit organizations are eligible for 25% reduction in tax liability in respect of their income from salary. In the finance bill, this facility was proposed to be withdrawn, however it was finally decided not to be withdrawn hence this proposed change has not been enacted through Finance Act 2024.


Please see below detailed workings of a salaried individual at various levels of income.



Income of salaried person		Tax liability 2025			Tax liability 2024	Effective tax rate		
Annual	Monthly	Tax Div I	Surcharge	Total	Tax Div I	2025	2024	Increase
900,000	75,000	15,000	-	15,000	7,500	2%	1%	100%
1,200,000	100,000	30,000	-	30,000	15,000	3%	1%	100%
1,500,000	125,000	75,000	-	75,000	52,500	5%	4%	43%
1,800,000	150,000	120,000	-	120,000	90,000	7%	5%	33%
2,100,000	175,000	165,000	-	165,000	127,500	8%	6%	29%
2,400,000	200,000	230,000	-	230,000	165,000	10%	7%	39%
2,700,000	225,000	305,000	-	305,000	232,500	11%	9%	31%
3,000,000	250,000	380,000	-	380,000	300,000	13%	10%	27%
3,600,000	300,000	550,000	-	550,000	435,000	15%	12%	26%
4,200,000	350,000	735,000	-	735,000	600,000	18%	14%	23%
4,800,000	400,000	945,000	-	945,000	765,000	20%	16%	24%
5,400,000	450,000	1,155,000	-	1,155,000	930,000	21%	17%	24%
6,000,000	500,000	1,365,000	-	1,365,000	1,095,000	23%	18%	25%
7,200,000	600,000	1,785,000	-	1,785,000	1,515,000	25%	21%	18%
8,400,000	700,000	2,205,000	-	2,205,000	1,935,000	26%	23%	14%
9,600,000	800,000	2,625,000	-	2,625,000	2,355,000	27%	25%	11%
10,800,000	900,000	3,045,000	304,500	3,349,500	2,775,000	31%	26%	21%
12,000,000	1,000,000	3,465,000	346,500	3,811,500	3,195,000	32%	27%	19%

Further, super tax is also applicable on salaried individual having income in excess of Rs.150 million as defined in section 4C of Income Tax Ordinance, 2001. Please note that the applicability of super tax is not introduced through current finance act but already applicable under section 4C and there is no change in rates of super tax.

S. No	Income Under Section 4C	Rate of Tax	
		TY 2022	TY 2023 & onwards
1	Where Income exceeds PKR 150 million but does not exceed PKR 200 million	1%	1%
2	Where Income exceeds PKR 200 million but does not exceed PKR 250 million	2%	2%
3	Where Income exceeds PKR 250 million but does not exceed PKR 300 million	3%	3%
4	Where Income exceeds PKR 300 million but does not exceed PKR 350 million	4%	4%
5	Where Income exceeds PKR 350 million but does not exceed PKR 400 million		6%
6	Where Income exceeds PKR 400 million but does not exceed PKR 500 million		8%
7	Above Rs. 500 million		10%



**What should a  
salaried person do  
now?**

- Zakat
- children education expenses can be claimed as deduction
- Medical facility and medical allowance
- Allowance for official expenses
- Reimbursement of official expenses
- Section 61 – tax credit on donations
- Section 63 – tax credit on contribution to approved pension fund
- Advance tax –
  - Purchase/Registration of new car (Section 231B)
  - On annual renewal of car registration (Section 234)
  - On Telephone and internet usage (including mobile phone) (Section 236)
  - Auction purchases (Section 236A)
  - Sale/ purchase of immovable property (Section 236C & 236K)
  - Remitting amounts abroad through cards (Section 236Y)



**NON-SALARIED  
INDIVIDUALS &  
AOPS**

## **1B NON-SALARIED INDIVIDUALS & ASSOCIATION OF PERSONS**

**1.6 Rates of tax under Paragraph I, Division I, Part I, First Schedule**

**1.7 Surcharge, Section 4AB**

**1.8 Super Tax, Section 4C**

**1.9 Member of AOP where income of AOP is in excess of Rs.300 million,  
Section 92**

**1.10 Chartered Accountant Firms, Proviso to Division I, Part I, First Schedule**


**Non-salaried individual is a person whose taxable income from salary is 75% or less of his total taxable income. The rates of tax for non-salaried individuals and Association of Persons have been increased and new applicable rates are as follows:**



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

The rate of tax under serial 6 above has been fixed at 40% instead of 45% for partnership firms (like CA, ICMA) who are prohibited by law to form a limited liability company.





The provisions relating to surcharge and super tax are same as explained above for salaried individuals i.e. surcharge under section 4AB will be calculated on tax liability arising on normal tax regime income while super tax will be applicable under section 4C as per definition of income defined therein.

The income of an individual representing share from association of person is exempt where AOP has paid tax on its income. A proviso has been added whereby such exemption shall not remain available to the individual if the AOP does not submit audited financial statements along with its tax return. The condition of submission of audited financial statements is only applicable in respect of an AOP whose turnover during the tax year or in any of the preceding financial year was more than Rs.300 million. The audit shall be conducted by a firm of chartered accountants of cost and management accountants. In our opinion, this being a procedural provision is applicable for the annual tax returns to be filed for tax year 2024 due on September 30, 2024.



# **REAL ESTATE SECTOR**

## **1C REAL ESTATE SECTOR**

- 1.11 Tax on builders & developers, Section 7F
- 1.12 Surcharge, Section 4AB
- 1.13 Super Tax, Section 4C
- 1.14 Minimum Tax, Section 113
- 1.15 Alternate Corporate Tax, Section 113C


Section 7F has been inserted for introduction of a new tax regime for the real estate sector with following key elements:


- The tax will be levied on the “taxable profits” of the builders and developers.

- **The taxable profit is fixed as follows:**

Activity	Taxable profit	Applicable tax rate
construction and sale of residential, commercial or other buildings	10% of gross receipts from such activities	Slab rates for individuals & AOPs
development and sale of residential commercial or other plots	15% of gross receipts from such activities	29% for companies
activities as mentioned in (a) and (b) above	12% of gross receipts from such activities	20% for small companies

- A person cannot take credit of income more than above limits for the purpose of explaining source under section 111.
- However, if the person has taxable income more than above limits, then such person may pay tax and take benefit of excess taxable income.
- Any income other than income from above activities shall be taxable as per applicable tax law.

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- The provisions of this section shall not apply to a builder or developer established by an Act of the Parliament or a Provincial Assembly or by a Presidential Order and who is engaged in activities for the benefit of its employees or otherwise including activities for the planning and development of and for providing and regulating housing and ancillary facilities in a specified or notified area.
  - This is an interesting change and allows flexibility on claim of expenses which may lead to tax avoidance particularly with respect of withholding tax provisions and cash payments.
  - The term “gross receipts” is not defined but plain reading appears to suggest that it shall include advances received during the year.

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- Arguably super tax is no more applicable on builders & developers who are being taxed under section 7F.
  - Arguably surcharge under section 4AB shall not be applicable on builders & developers who are being taxed under section 7F.
  - Arguably minimum tax under section 113 is no more applicable on builders & developers who are being taxed under section 7F.
  - Arguably Alternate corporate tax under section 113C is no more applicable on builders & developers who are being taxed under section 7F.




1.16 Advance tax on sale or transfer of immovable property, Section 236C

1.17 Exemption of capital gain, Clause 114B, Part I, Second Schedule

Section 236C provides for collection of tax at the time of disposal or transfer of immovable property. An exemption from collection of tax is available where:

1. The seller is dependent of Shaheed belonging to Pakistan Armed Forces or a person who dies while in the service of the Pakistan Armed Forces or the service of Federal or Provincial Government, and.
2. The property has been allotted by acquired from or allotted by the Federal Government or Provincial Government or any authority duly certified by the official allotment authority, and the property acquired or allotted is in recognition of or for services rendered by the Shaheed or the person who dies in service; and
3. The sale is first sale of aforementioned immovable property.





This exemption is now extended to first sale of similar immovable property by a war wounded person while in service of Pakistan Armed Forces or Federal or Provincial Government or an ex-serviceman and serving personnel of armed forces or ex-employees or serving personnel of Federal and Provincial Government.

Clause 114B, Part I, Second Schedule has also been amended to provide exemption to capital gains on first sale of immovable property referred above.

Apart from above, the applicable rates of tax on sale or transfer of immovable property have been revised for filers and non-filers while a new category has also been introduced i.e. later filers.

The new rates of tax under section 236C prescribed for filers, non-filers and later filers are summarized hereunder:

Late filer not applicable in respect of persons who has timely filed returns for last three years and is a first-time defaulter for the tax year.

Consideration received	Filer	Late filer*	Non-filer
Up to Rs.50 million	3%	6%	10%
More than Rs.50 million up to Rs.100 million	3.5%	7%	
More than Rs.100 million	4%	8%	

## 1.18 Advance tax on purchase of immovable property, Section 236K

The applicable rates of tax on purchase of immovable property have been revised for filers and non-filers while a new category has also been introduced i.e. later filers.

The new rates of tax prescribed for filers, non-filers and later filers are summarized hereunder:

Fair Market Value	Filer	Late filer*	Non-filer
Up to Rs.50 million	3%	6%	12%
More than Rs.50 million up to Rs.100 million	3.5%	7%	16%
More than Rs.100 million	4%	8%	20%

## 1.19 Rate of tax on gain on sale of immovable property, Section 37(1A)

The following rate of tax are now provided under division VIII, Part I of First Schedule:

S. No	Holding period	Acquired on or before June 30, 2024			Acquired after June 30, 2024
		Plot	Constructed Property	Flat	
1	Up to one year	15%	15%	15%	15% for persons appearing on the Active Taxpayers' List on the date of disposal of property and at the rate specified in Division I for individuals and association of persons and Division II for companies in respect of persons not appearing on the Active Taxpayers' List on the date of disposal of property:  Provided that the rate of tax for individuals and association of persons not appearing on the Active Taxpayers' List, the rate of tax shall not be less than 15% of the gain.
2	More than one but less than two years	12.5%	10%	7.5%	
3	More than two but less than three years	10%	7.5%	0	
4	More than three but less than four years	7.5%	5%		
5	More than four but less than five years	5%	0%		
6	More than five but less than six years	2.5%			
7	More than six years	0%			



**CAPITAL GAINS  
PRIVATE  
COMPANY  
SHARES**

## 1D CAPITAL GAINS – PRIVATE COMPANY SHARES

### 1.20 Capital gain on sale of share of private company, Section 37

Section 37 inter alia provides that gain on shares of a private company shall be subject to taxation under section 37 under the normal tax regime while the buyer is required to withhold adjustable advance tax @ 10% of fair market value of shares determined under section 101A (4) of Income Tax Ordinance, 2001.

Previously the tax required to be withheld at the time of payment from the gross amount paid however now the tax is required to be paid at the earlier of:

- payment or
- registration of shares by the Securities and Exchange Commission of Pakistan or
- registration of shares by the State Bank of Pakistan



# **ADVANCE TAX WITHHOLDING TAX**



## 1E ADVANCE TAX, WITHHOLDING TAX

### 1.21 Dividend, Section 5

The rate of tax on dividend paid by mutual funds is enhanced from 15% to 25% in case of mutual funds deriving fifty percent or more income from profit on debt.

### 1.22 Capital gain on disposal of securities, Section 37A

### 1.23 100% extra tax for non-filers, Tenth Schedule

The tax rates on capital gains arising on disposal of securities has been modified for securities acquired after June 30, 2024, however for securities acquired on or before June 30, 2024, the applicable rate of tax has not been changed.

For securities acquired after June 30, 2024, the rate of tax is fixed @15% for persons appearing on the active taxpayers' list. It is pertinent to note that the person shall be appearing on active taxpayers' list on the date of acquisition and date of disposal.

If a person is not appearing on active taxpayers' list on the date of acquisition or disposal, the income of such person from capital gains under section 37A shall be subject to tax at the rates specified in Division I or Division II of Part I of First Schedule i.e. under the normal tax regime.


However, for individuals and AOPs, the rate of tax shall not be less than 15% i.e. the individuals and AOPs shall be subject to taxation on capital gains under section 37A at the higher of following:

- Applicable slab rates under Division I of Part I of Second Schedule; or
- 15% of gain

The rate of deduction of capital gain tax by stock funds has been increased from 10% to 15%.

In case of individuals and AOPs, the rate of other funds has also been increased from 10% to 15%.

In case of stock funds having dividend receipts less than capital gains, the rate of tax has been increased from 12.5% to 15%.



Tenth Schedule has also been made applicable whereby 100% extra tax shall be applicable in respect of persons who are non-filer i.e. whose name is not appearing in active taxpayers' list.

There are no other changes in Division VII, Part I of First Schedule with respect of taxation of capital gains arising on securities under section 37A however the table and provisos thereunder have been replaced completely by the Finance Act 2024 apparently to avoid confusion arising out of different changes.

**The complete division as replaced by Finance Act 2024 is as follows:**

S. No.	Hoding period	Acquired 01.07.22 to 30.06.24	Acquired after June 30, 2024
1	Up to one year	15%	15% for persons appearing on the Active Taxpayers' List on the date of acquisition and the date of disposal of securities and at the rate specified in Division I for individuals and association of persons and Division II for companies in respect of persons not appearing on the Active Taxpayers' List on the date of acquisition and date of disposal of securities: Provided that the rate of tax for individuals and association of persons not appearing on the Active Taxpayers' List, the rate of tax shall not be less than 15% in any case.
2	More than one but less than two years	12.5%	
3	More than two but less than three years	10%	
4	More than three but less than four years	7.5%	
5	More than four but less than five years	5%	
6	More than five but less than six years	2.5%	
7	More than six years	0%	
8	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	5%

Provided that for securities except at S. No. 8 of the Table—

- i. the rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or after the first day of July 2013 but on or before the 30th day of June 2022; and
- ii. the rate of 0% tax shall be charged on capital gain arising on disposal where the securities are acquired before the first day of July 2013:

Provided further that the rate for companies in respect of debt securities shall be as specified in Division II of Part I of the First Schedule:

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

Category	Rate
Individual and AOP	15% for stock funds
	15% for other funds
Company	15% for stock funds
	25% for other funds





Provided also that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 15%:

Provided also that no capital gain shall be deducted, if the holding period of the security acquired on or before 30th day of June 2024 is more than six years.

Explanation – For the removal of doubt, it is clarified that provisions of this proviso shall be applicable only in case of mutual fund or collective investment scheme or a REIT scheme.


## 1.24 Advance Tax, Section 147

**Section 147 has been modified as follows:**

- Section 147(4) provides where the taxpayer fails to provide turnover or the turnover for the quarter is not known, it shall be taken to be one-fourth of one hundred and ten (110) percent of the turnover of the latest tax year for which a return has been filed. Now instead of 110%, the turnover for the quarter shall be taken as one-fourth of 120% of last year's turnover if the taxpayer fails to provide turnover or the turnover for the quarter is not known.



- Section 147(6) allows the taxpayer to file own estimate if he estimates his tax liability to be less than tax liability under section 147. Sub-section 6B has been inserted by Finance Act 2024 which requires that the estimate shall contain:
  - turnover for the completed quarters of the relevant tax year,
  - estimated turnover for the remaining quarters,
  - supporting evidence of expenses or deductions in computing income,
  - evidence of tax payments and tax credits and
  - computation of estimated taxable income
- The Commissioner has been empowered to reject the estimate in the absence of documentary evidence and/ or details provided by taxpayer. This is restoration of similar provision inserted earlier and appears an unnecessary and illogical provision to create harassment only.

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- Advance tax on exporters
  - Sub-section 6C has been added to section 147 whereby one percent additional advance tax is to be collected by withholding agents specified in section 154 in respect of export of goods subject to collection of tax under section 154. This is in addition to one percent minimum tax collected under section 154 on export of goods.

## 1.25 Imports, Section 148

Section 148 provides for collection of advance tax on imports. The section has been modified to empower Board, through notification in official gazette, to determine minimum value of goods for the purpose of collection of advance tax under section 148.

## 1.26 Deduction of tax on payment to non-resident (exemption certificate), Section 152

Section 152(4A) empowers CIR to issue exemption certificate or reduced rate certificate to Permanent Establishment of non-resident person where the tax deducted is not minimum tax. The power of issuance of exemption certificate has been withdrawn while power to issue of reduced certificate is now limited to a maximum of 80% of the applicable tax rate.

## 1.27 Deduction of tax on payment to resident (exemption certificate), Section 153

Section 153(4) empowers CIR to issue exemption certificate or reduced rate certificate to a resident person where the tax deducted is not minimum tax. The power of issuance of exemption certificate has been withdrawn while power to issue of reduced certificate is now limited to a maximum of 80% of the applicable tax rate. The CIR shall issue such certificate within 15 days of application and upon expiry of 15 days, the certificate shall be deemed to have been granted.

## 1.28 Exports, Section 154

The export of goods under section 154 was subject to final tax regime however the Finance Act 2024 has changed their regime to normal tax regime. The tax deducted under section 154 shall now be minimum tax while an additional 1% advance tax under section 147 is also required to be collected by withholding agents prescribed under section 154. This change now exposes exporter of goods to other provisions like disallowance of deduction under section 21, minimum tax under section 113, alternate corporate tax under section 113C, surcharge under section 4AB and super tax under section 4C.

Before Finance Act, 2024	After Finance Act, 2024	
Final Tax u/s 154(4)	Minimum Tax u/s 154(4)	Advance tax u/s 147
1%	1%	1%

Consequential amendments have also been made in section 168 and section 169.



## 1.29 Rate of advance tax on vehicle registration/ transfer etc., Section 231B

The rate of tax on registration of motor vehicle is revised as follows:

S. No	Engine Capacity	TY (2024)	TY 2025
1	up to 850CC	Rs.10,000	0.5% of value
2	851CC to 1000CC	Rs.20,000	1% of value
3	1001CC to 1300CC	Rs.25,000	1.5% of value
4	1301CC to 1600CC	Rs.50,000	2% of value
5	1601CC to 1800CC	Rs.150,000	3% of value
6	1801CC to 2000CC	Rs.200,000	5% of value
7	2001CC to 2500CC	6% of value*	7% of value
8	2501CC to 3000CC	8% of value*	9% of value
9	3001CC and above	10% of value*	12% of value



## 1.30 Rate of collection of tax internet, phone calls, Section 236

The rate of collection of tax has been prescribed at 75% amount of bill or sale price of internet pre-paid card or prepaid telephone card or sale of units to any electronic medium or whatever form. This rate is applicable only in respect of persons appearing in general order issued under section 114B i.e. persons whose name is not appearing in ATL.

## 1.31 Advance tax on sale to distributors, dealers and wholesalers, Section 236G

Section 236G requires manufacturers and commercial importers to collect tax from distributors, dealers and wholesalers. Previously the application of this section was limited to a few sectors and now it has been extended to all sectors. The rate of tax is 0.25% for active taxpayers and 2% for non-active taxpayers.

## 1.32 Advance tax on sale to retailers, Section 236H

Section 236H requires manufacturers, distributor, dealer, wholesaler and commercial importers to collect tax from retailers. Previously the application of this section was limited to a few sectors and now it has been extended to all sectors. The rate of tax is 0.5% for active taxpayers and 2.5% for non-active taxpayers.



# **NON-RESIDENT PERSONS**

### 1.33 Geographical source income, Section 101

Section 11 provides that a resident person shall be subject to taxation in Pakistan for his worldwide income however a non-resident person is subject to taxation in Pakistan in respect of his Pakistan source income.

Section 101 provides parameters for determining Pakistan source income and foreign source income of a person. Section 101(3) provides the circumstances under which business income of a non-resident person shall be treated as Pakistan source income. Section 101(3)(d) treats business income of a non-resident person to be Pakistan source income to the extent to which it is directly or indirectly attributable to any “business connection” in Pakistan.

The definition of the term business connection has already remained a debatable issue in various cases while on the other hand the taxation of entities carrying out business digitally is also a teething problem.

Finance Act 2024 has added sub-section 3A and 3B after sub-section 3 of section 101 whereby the scope of term business connection is expanded to include “significant economic presence in Pakistan”. **The term “significant economic presence in Pakistan” is defined to mean:**

- transaction in respect of any goods, services or property carried out by a non-resident with any person in Pakistan including provision of download of data or software in Pakistan, if the aggregate of payments arising from such transaction or transactions during the tax year exceeds such amount as may be prescribed.
- systematic and continuous soliciting of business activities or engaging in interaction through digital means with such number of users in Pakistan as may be prescribed, irrespective of whether or not –
  - i. the agreement for such transactions or activities is signed in Pakistan.
  - ii. the non-resident has a residence or place of business in Pakistan; or
  - iii. the non-resident renders services in Pakistan.






Please note that the above changes are not likely to have impact in respect of non-resident persons belonging to countries having treaties for avoidance of double taxation with Pakistan.

### 1.34 Transactions between associates, Section 108

Please see changes in section 108 discussed in commentary under the heading anti-avoidance provisions.



# **RETURNS & STATEMENTS**

## 1.35 Wealth Statement, Section 116

Section 116 requires filing of wealth statement by resident persons and empowers Commissioner to require wealth statement from an individual providing details of assets and liabilities. The word “assets and liabilities” has been replaced by “assets including foreign assets and liabilities including foreign liabilities”.

This replacement can provide a significant boost to the argument that foreign assets and foreign liabilities were not previously required to be disclosed in the wealth statement. An explanation to this effect would have strengthened FBR’s case but this replacement is likely to weaken FBR’s case.



## **Assets in the name of spouse**

**Another change has been made to clarify that assets of the spouse shall only be included in the wealth statement if the spouse is dependent. Accordingly, the preparers of wealth statement need to take note of this.**




**ANTI AVOIDANCE**

## 1.43 Transactions between associates, Section 108

Section 108 is an anti-avoidance provision to cater for tax avoidance scheme between associates. Finance Act 2024 adds sub-section 6 to section 108 to disallow 25% of the expenditure incurred on sale promotion, advertisement and publicity for tax year 2024 and onwards. The said expenditure shall be allocated to the non-resident.





The above disallowance of expenditure shall be made by the Commissioner, after issuing notice to taxpayer who claims royalty as deduction for the tax year or for any of the two preceding tax years. The disallowance shall be made if the taxpayer fails to furnish any explanation or evidence that no benefit has been conferred on the associate.

The retrospective application of this provision for tax year 2024 is likely to lead to litigation. It is unclear as to how the allocation of expenses to non-resident person will be used when royalty is subject to final discharge of tax liability.

## 1.44 Unexplained assets, expenditure etc., Section 111

Section 111 inter alia provides for taxation of unexplained assets, expenditure as income from other source. Section 111(2)(ii) provides that foreign assets, expenditure or income is to be included in the in the person's income chargeable to tax for the tax year immediately preceding the tax year in which the discovery is made by Commissioner.

Finance Act 2024 has added an explanation whereby “year of discovery” shall mean the year in which the Commissioner has issued a notice requiring the person to explain the nature and source of such foreign assets, expenditure or concealed income.



# **PENAL PROVISIONS**

## 1J PENAL PROVISIONS


### 1.45 Non-Filers & Late filers, Section 100BA

Section 100BA read with Tenth Schedule provides higher rate of tax for persons not appearing in active taxpayers' list. The section and Tenth Schedule have been modified to provide higher rates of tax for late filers i.e. persons who have not filed return by the due date

### 1.46 Powers to enforce filing of tax return, Section 114B

### 1.47 Rate of collection of tax internet, phone calls, Section 236

Section 114B grants FBR powers to disable mobile phone/ sims and disconnect electricity & gas connections through a general order in respect of persons not appearing in active taxpayer's list but are liable to file tax returns.



Section 114B has been further amended and now FBR is granted power to restrict non-filers from foreign travel if the person is a citizen of Pakistan. This restriction shall not apply on persons holding National Identity Card for Overseas Pakistanis (NICOP), minors, students, persons proceeding abroad for Hajj or Umrah and such other classes of persons as notified by the Board. The persons restricted from travel shall be notified through a general order by FBR.

Anomaly if a person becomes filer or it is confirmed that person is not required to file return

Section 114B (3) provides power to the board and Commissioner to restore mobile phones, sims, electricity connection and gas connections. Such power shall be exercised when the Commissioner is satisfied that the person has filed the return, or the person was not liable to file the return. However, no power has been granted to the Board or Commissioner to allow foreign travel to a person whose name is included in the income tax general order but has now filed tax return or satisfies the Board or Commissioner that he was not required to file the return. This appears to be an inadvertent omission but likely to lead to severe consequences in genuine cases.



Please also see commentary under section 236C and 236K for rates of tax on non-filers and later filers.

Generally, rate of tax on non-filer is 100% increased as compared to filer however following specific rates have been provided for non-filers in Tenth Schedule because of amendments by Finance Act 2024:

Sr. No	Section	Description	Rate of tax
1	151	Profit on debt	35%
2	236G	Sale to distributors, wholesalers etc.	2%
3	236H	Sale to retailers	2.5%

## 1.48 Penalty, Section 182

Section 182 has been modified to enhance penalties as follows:

Sr. No	Default	Penalty	Section
1B	Where any person fails to furnish a return of income as required under sub-section (3) of section 117 within the time specified in the notice	Such person shall pay a penalty equal to higher of – (a) 0.1% of the tax payable in respect of that tax year for each day of default; or (b) Rs. 1,000 per day of default: Provided that minimum penalty shall be Rs.10,000 in case of an individual and Rs.50,000 in all other cases.	117(3)
3A	Where any person being a trader or a shopkeeper who is required to apply for registration under this Ordinance but fails to register or fails to pay advance tax as specified in a scheme of special procedure prescribed under section 99B	The shop of such person shall be sealed for seven days for first default and for twenty-one days for each subsequent default.	99B
10A	Any person who fails to comply with income tax general order issued by the Board within fifteen days of issue of such order.	Such person shall pay penalty of fifty million rupees for first default and one hundred million for each subsequent default:  Provided that said penalty shall be imposed effective from such date as the Board may notify.	114B
12A	Where any person fails to pay tax at the time of making payment as consideration of shares or at the time of registration of shares by the Securities and Exchange Commission of Pakistan or the State Bank of Pakistan, whichever is earlier.	Such person shall pay a penalty equal to fifty percent of the amount of tax involved.	182

Sr. No	Default	Penalty	Section
35	<p>Any company and an association of persons who –</p> <p>a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer.</p> <p>b) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or</p> <p>a) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed.</p>	<p>Such company, including a banking company and an association of persons shall pay a penalty of Rs.500,000 or 10% of the tax chargeable on the taxable income, whichever is higher.</p>	114(2)

## 1.49 Prosecution for non-compliance, Section 191

Section 191 has been modified to provide for prosecution of a person who fails to comply with notice under section 117(3).

## 1.50 Penalty for failure to furnish information in tax return, Section 191A

A company including a banking company or an AOP may be punished with fine and/or imprisonment of year or more if it:

- a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer.
- b) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or
- c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed.

However, the section does not appear to be suitably worded as company or AOP cannot be imprisoned.

## 1.51 Penalty for non-registration, Section 191B

Non-registration under section 99B can lead to fine and/ or imprisonment of six months or more under section 191B.

## 1.52 Default surcharge, Section 205

The default surcharge has been changed from 12% to higher of “12% or Kibor plus 3%”



# **ADMINISTRATIVE CHANGES & CORRECTIONS**



## 1K ADMINISTRATIVE CHANGES AND CORRECTIONS

### 1.53 Definition of Board, Section 2(8)

The Finance Act has increased the scope of definition of Board to include a designated member of the FBR, who has been delegated powers of the Board under section 8 of Federal Board of Revenue Act 2007.

### 1.54 Chief Investigator, Section 2(11B)

### 1.55 Tax Fraud Investigation Wing Section, 230K

- Definition of Chief Commissioner has been modified to include “Chief Investigator”.
- Section 230K has been inserted to establish “Tax Fraud Investigation Wing Inland Revenue”.

- The functions of the Tax Fraud Investigation Wing Inland Revenue shall be to detect, analyze, investigate, combat and prevent tax evasion and fraud.
- The Wing shall consist of Chief Investigator and other support officers.
- Detailed rules in this respect shall be issued by FBR.

### 1.56 Definition of Board, Section 2(8)

FBR has been empowered to disclose information to NADRA for the purpose of broadening of tax base.



**OTHERS**

## 1.57 Loss carries forward for PIA, Section 57

PIA has been allowed to carry forward its losses for a period of ten years in respect of losses relating to a tax year commencing on or after January 01, 2017.

## 1.58 100% tax credit for coal mining project, Section 65F

Section 65F(1)(a) provides 100% tax credit for persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects. An explanation has been added to clarify that the said tax credit is only available in respect of income derived from the operations of coal mining projects in Sindh supplying coal to power generation projects. The explanation suggests that the tax credit is not available in respect of income derived from sources other than “operations of coal mining projects”.



**CVT**

<b>Property</b>	<b>CVT payable with tax return</b>
Farm house 2000 sq yards to 4000 sq yards	Rs.500,000
Farm house – more than 4000 square years	Rs.1,000,0000
Residential house 1000 sq yards to 2000 sq yards	Rs.1,000,000
Residential house more than 2000 sq yards	Rs.1,500,000



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**THANK YOU**