Government of Pakistan
Revenue Division
Federal Board of Revenue
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C. No. 3/2-STB/2026 (1) | 101537-R Islamabad, the 11th September, 2026

Circular No. 01 of 2026
(Sales Tax and Federal Excise)

Subject: **Finance Act, 2026 – Explanation regarding Important Amendments made in Sales Tax Act, 1990 and Federal Excise Act, 2005.**

Important amendments made in the Sales Tax Act, 1990 (hereinafter referred to as "STA") and Federal Excise Act, 2005 (hereinafter referred to as FEA") through the Finance Act, 2026 are explained in the following paragraphs.

(Sales Tax)

Insertion of Definitions of 'Advance Receipt Invoice', 'Algorithmic Settlement Mechanism' 'Electronic Invoicing System', 'National Faceless Centre' and 'Production Monitoring System'

The existing provisions of STA do not provide definition of *'advance receipt invoice', 'algorithmic settlement mechanism', electronic invoicing system', 'national faceless centre' and 'production monitoring system'*. The definitions of said terminologies have been inserted in STA for smooth and proper implementation of digitalization of taxable activity and monitoring of production and sale of goods in real time to the Board in the manner as may be prescribed.

Amendment in Definition of Tier-I Retailer - Clause (43A) of Section 2

Definition of "Tier-1 Retailer" covered 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 under sub-clause (d). Now a threshold of turnover of more than two hundred million rupees has been provided.

Secondly, the definition covered a retailer who had acquired point of sale for accepting payment through debit or credit cards from banking companies or any other digital payment and categorized such retailer as tier-1 retailers under sub-clause (f). The said sub-clause has been omitted in order to facilitate small retailers having lower annual turnover and a limited business activity.

Thirdly, the definition covered a retailer whose deductible withholding tax under sections 236G or 236H of the Income Tax Ordinance, 2001 during the immediately preceding twelve consecutive months exceeded the threshold specified by the Board under sub-clause (g). The said sub-clause (g) has been omitted and instead a new sub-clause (gb) has been added which provides that a retailer having declared turnover of more than two hundred million or the retailer whose worked back value of turnover from the tax deduction under section 236G and 236H of the Income Tax Ordinance, 2001 during the immediately preceding twelve consecutive months exceeds the said threshold shall be categorized as Tier-1 retailer.

Addition of proviso in clause (43A) of section 2

A new proviso under the above-mentioned sub-clause has been added to empower the Board to exclude any person or class of persons from the purview of Tier-1 retailers through a notification.

Grant of Power to Board to Out-Source the Function of Valuation of Goods

The first proviso to clause (46) of section 2 empowers the Board to fix the value of imported goods or supplies including those specified in the Third Schedule. Now, the scope of said proviso has been enhanced by enabling the Board to utilize the data of Pakistan Bureau of Statistics and to out-source the functions of valuation to the third party.

Addition of new proviso in sub-section (2) of section 6 to collect tax on steel sector on the basis of monthly electricity units consumed

Through addition of this proviso the Board has been empowered to collect tax on steel sector on the basis of electricity units consumed during a tax period and the tax so collected shall be adjustable against output tax and shall also be claimed in the return of the month in which such payment is made. Furthermore, the Board has also been empowered to lower the per unit rate of sales tax on electricity for compliant and digitally integrated steel melters, re-rollers and composite units. The said provision shall also apply to steel melting units powered by captive power plants such as those run on bagasse or any other alternate source of power generation.

Changes in section 8B to reward compliant taxpayers and to discourage non-compliance

Through insertion in section 8B, the Board has been empowered to reduce or enhance the ratio of input tax adjustment of sales tax on the basis of compliance or non-compliance with the Board's digital or electronic systems including production monitoring, digital invoicing, e-bility, POS, any other electronic system for digital integration of data.

Mechanism for Issuance of Debit and Credit Notes

A proviso has been added in section 9 through which the Board has been empowered to provide a mechanism including electronic adjustment for issuance of debit and credit notes by the registered persons.

Faceless Regime for Audit, Assessment, Appeals and Jurisdiction [Sections 2(17A), 11H, 30AA, 32C and 45C]

Through the Finance Act, 2026, a comprehensive faceless regime has been introduced in the STA. The definition of "assessment" in clause (17A) of section 2 has been expanded to include "faceless assessment", and a new section 32C has been inserted to define "National faceless center".

Newly inserted section 32C empowers the Board to establish a National faceless center (the centre) for conducting proceedings under the STA in a faceless manner and to specify its jurisdiction, powers and functions. The centre shall comprise a Director General and such Chief Commissioners, Commissioners and other Authorities as may be prescribed by the Board. The centre shall comprise as many wings and units as may be prescribed by the Board. The functions of audit, assessment and quality control in a specific case for a specific tax period are required to be performed by separate officers. All communications, whether among the units or with the registered person or its authorized representative, shall be through electronic means.

A newly inserted section 11H provides that any audit under sections 25 and 72B, in respect of persons or cases specified by the Board, may be conducted in a faceless manner. Where an opportunity of being heard is to be provided or a statement under oath is to be obtained, the same is to be done through E-hearing, and the identity of the officer, including facial and voice identity, is to be kept confidential.

A new section 45C provides that any appeal filed under section 45B may be processed through the National faceless center, and the provisions of section 45B shall apply accordingly.

A new section 30AA has also been inserted which provides for faceless jurisdiction of the Inland Revenue authorities appointed in the National faceless center. Such jurisdiction may be exclusive or concurrent; the identity of the authority is to be kept confidential from the registered person; and no notice, order, demand or assessment passed by such authority can be called in question merely on the ground of lack of jurisdiction under the STA or the confidentiality of the authority's identity.

Amendment in Sub-Section (2) of Section 21 -- Non-compliance with electronic invoicing system and production monitoring system

The existing sub-section (2) of section 21 empowers the Commissioner to suspend the registration of registered persons found to be involved in issuance of fake / flying invoices or found involved in fraudulent activities. The scope of said sub-section has been enhanced to include non-compliance / failure to integrate the electronic invoicing system with the Board's computerized system or failure to install a production monitoring system.

Amendment in Sub-Section (1) of Section 23 – Mandatory issuance of invoice for exempt supplies

Under the existing sub-section (1) of section 23, a registered person was required to issue a sales tax invoice against taxable supplies only. The said sub-section has been amended to the effect that a registered person is now required to issue invoice against taxable as well as exempt supplies including invoice for an advance receipt, bearing a verifiable and unique FBR's invoice number. This amendment in continuation of FBR's digitalization process, is aimed at increasing transparency in declaration of activity of registered person in respect of taxable supplies as well as exempt supplies.

Insertion of New Sub-Section (8A) in Section 25 -- Re-Audit by an Accountant

New sub-section (8A) of section 25 has been inserted wherein Commissioner has been empowered to direct a registered person to get his accounts re-audited by an accountant and to get the inventory re-valued by a Cost Accountant keeping in view the nature and complexity of the accounts, volume of the accounts, doubts about the correctness of the accounts, multiplicity of transactions in the accounts, etc. under the above said new sub-section. This power shall be exercised after granting a reasonable opportunity of being heard to the registered persons.

Insertion of New Sub-Section (8B) in Section 25 -- Issuance of Audit Report

The existing section 25 of STA does not require issuance of audit report on completion of audit proceedings by an officer of Inland Revenue. Now, sub-section (8B) has been inserted which requires the officer of Inland Revenue to issue an audit report containing audit observations and findings, after obtaining the registered person's explanation on all the issues raised in the audit.

Insertion of Section 30DDDB – Establishment of Directorate General (Field Compliance) Inland Revenue

Through this new section, the Directorate General (Field Compliance) Inland Revenue shall be established consisting of a Director General and other officers as may be appointed by the Board for the purpose of enforcement of sales tax law. Board has been empowered to specify the functions and jurisdictions of the Directorate General and its officers; and confer the powers of authorities specified in section 30 upon the Directorate General and its officers.

Rationalization of Amounts of Penalties in Section 33

Section 33 provides for offences, penalties and punishments. Amounts of penalties had not been reviewed / rationalized since a long time which have now been enhanced / rationalized keeping in view the inflationary impact. The said rationalization is aimed at discouraging non-compliance of tax laws and encouraging compliance.

Substitution of Clause (25) and Insertion of Clauses (29), (30) and (31) in Section 33

The existing clause (25) imposes a penalty of rupees one million in case of failure to integrate his business with the Board or recording of sale and production with the Board's computerized system in addition to sealing of his business premises. Through this substitution, a registered person shall be liable to pay a penalty of rupees one million and if he continues to commit the offence after one month of the imposition of first penalty, the registered person shall be liable to second penalty upto five million rupees. The premises shall also be liable to be sealed with or without imposition of penalty in the manner as may be prescribed by the Board. These measures have been introduced to improve digitalization of the economy and deter the non-compliance.

Publicly Accessible Simulated Invoice Issuers Register – Clause 29

To curb the menace of fake and flying invoices, a new penalty clause (29) has been inserted which provides that where it is established after notice and adjudication that a registered person issued a tax invoice for a simulated or fictitious transaction, or for which no actual supply of goods or services has taken place, in addition to imposition of penalty equal to the value of simulated or fictitious invoice(s) including sales tax, the name and registration number of person issuing such fictitious invoice or invoices shall be placed on publicly accessible "Simulated Invoice Issuers Register" by the Board.

The registered persons claiming input tax on invoices issued by the person listed on the Simulated Invoice Issuers Register shall face automatic reversal of the input tax credit claimed against invoices issued by the said listed person, from the date of listing and the said input tax credit shall be reversed automatically and treated as inadmissible input tax.

Removal of listing on the register has been made contingent upon full payment of the penalty and default surcharge, and upon satisfactory demonstration of compliance.

To promote correct and true declarations throughout the supply chain, a new clause (30) has also been inserted which provides that where it is confirmed after issuance of notice and provision of opportunity of being heard that input tax credit claimed by a registered person in respect of any tax period cannot be matched to corresponding output tax declared by the supplier for the same or proximate tax period as identified by Board's computerized system, such person is liable to pay penalty of twenty per cent of the unmatched input tax amount, in addition to reversal of the inadmissible credit and payment of default surcharge under section 34.

Newly inserted clause (31) in section 33 penalizes a registered person who fails to reverse the input tax on invoices issued by the person listed on Simulated Invoice Issuers Register as inadmissible input tax within sixty (60) days of listing of invoice issuer. For such person, in addition to reversal of input tax as inadmissible and payment of default surcharge, a penalty of twenty per cent (20%) of the unreversed input tax credit has been imposed.

Substitution of Sub-Sections (2), (3) and (6) of Section 40C -- seizure and confiscation against digitally non-compliant registered person

Through substitution of aforesaid sub-sections (2) and (3), the scope of monitoring through a production monitoring system, video analytics or any other prescribed monitoring mechanism has been enhanced. The manufacturers have been legally barred from removing and selling goods 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, etc. This condition shall be applicable to persons other than manufacturers also. This shall be applicable from the date and in such form, style and manner as may be prescribed by the Board in this behalf. This amendment is aimed at deterring undocumented and unrecorded transactions.

Addition of sub-section (6) enables the department to seize and confiscate the taxable goods, in respect of which monitoring, tracking or identification has been prescribed under the STA or rules made thereunder, along with the conveyance used for the movement, carriage or transportation of such goods which are manufactured, produced, removed, transported, supplied or otherwise dealt with or without affixing the prescribed tax stamps, banderoles, stickers, labels, barcodes or without compliance with the prescribed monitoring system.

Insertion of New Section 40F -- Sale of Confiscated Goods by Auction

The existing provisions of the STA do not provide the mechanism for auction of confiscated goods. Section 40F is an enabling provision providing for auction and electronic auction of confiscated goods in the manner prescribed.

Insertion of Section 47AA -- Algorithmic Settlement Mechanism

A new concept of digitally operated settlement of proceedings has been introduced. Clause (1AAA) has been inserted in section 2 to define "algorithmic settlement mechanism" with reference to the new section 47AA.

The newly inserted section 47AA empowers the Board to establish a digitally operated algorithmic settlement mechanism for settlement of tax proceedings at any stage before any order under sections 11D or 11E of the STA, through revision of return under sub-section (3) of section 26. The mechanism will calculate and present a settlement offer to the registered person computed on the basis of the stage of proceedings, the registered person's compliance history, the nature and character of the discrepancy and such other basis as the Board may consider relevant. The registered person may, within ten days, accept the offer on IRIS, and deposit the settlement amount. On such acceptance, the issues confronted to the registered person, if any, through a notice or an audit report under the STA shall stand abated, without precluding any proceedings on any other issue or affect proceedings for any other tax period.

Insertion of Section 47AAA -- Independent Case Scrutiny Committee

A new section 47AAA has been inserted whereby 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, may only be filed by the Commissioner Inland Revenue after the same has been approved by an independent case scrutiny committee constituted by the Board. The committee comprises a retired judge of the superior courts (as Chairman), an advocate having not less than fifteen years' experience in tax and commercial litigation, and a senior serving or retired FBR officer (BS-20 or above), with the option to co-opt a chartered accountant as a non-voting member.

The recommendations of the committee are binding upon the Commissioner having jurisdiction over the case. Immunity from legal proceedings has been provided to the members and the Commissioner, and the period consumed in obtaining the committee's approval stands excluded for the purpose of computing limitation for filing the reference, appeal or review.

Expansion of the Third Schedule Items

Third Schedule items are chargeable to sales tax at the retail price, which is to be legibly, prominently and indelibly printed or embossed by the manufacturer or importer. Printed price provides certainty in determining that sales tax is being paid on price ultimately charged to the consumers. Earlier, 55 S. Nos were covered under the Third Schedule, including items of day-to-day consumption, household appliances, auto parts, tyres, storage batteries, etc.

Furthermore, a Note at the end of the Table has also been added to ensure continuity of charging of sales tax at rates higher than eighteen percent (18%) after their inclusion under the Third Schedule.

Amendments in Sixth Schedule

1. A new S. No. 27A of Table-1 of the Sixth Schedule to the STA has been inserted to provide exemption from sales tax on import and supply of wheat and rice bran.

2. At present, newsprint and books are exempt from sales tax under S. No. 32 of Table-1 of the Sixth Schedule to the STA. The scope of exemption has been expanded to include magazines also.

3. S. No. 157 of Table-1 of the Sixth Schedule to the STA provided exemption on import of CKD kits for specified electric vehicles till 30.06.2026. The said time line of exemption has been enhanced for further one year i.e. till 30.06.2027.

4. Through addition of S. No. 181A, exemption on import or lease of aircraft and parts thereof has been extended to airline companies registered in Pakistan.

5. Contraceptives were exempt under Serial No. 60 of the Sixth Schedule, until withdrawn in 2022. Keeping in view the importance of the products in population control and to make them affordable, exemption from sales tax has been granted to contraceptives.

6. At present, female sanitary pads/ tampons are taxable under sales tax at standard rate. Exemption of sales tax under S. No 183 of Table-1 been granted to tampon.

7. Imports of ships, flying Pakistan flag, were exempt from sales tax until withdrawn in 2021. The exemption on import of ships and import of plant, machinery and other capital assets for ship-building has been restored.

8. Exemption from sales tax on import of bullet proof vehicles has been granted for Shanghai Cooperation Organization (SCO) summit and also for counter-terrorism operations. The measure is aimed at national security, protection and safe mobility of state guests. Likewise, in order to counter terrorism, for high-risk and conflict-prone areas, tax free import of these strategic vehicles has been granted.

9. Upgradation of refineries is essential to align domestic refining capacity with modern environmental standards, including cleaner fuel specifications, improved emission controls, and reduced carbon and Sulphur intensity. Secondly, major petroleum products of a refinery are not chargeable to sales tax. In refinery upgradation, scheduled turnaround, maintenance and overhaul of a refinery requires import of high value machinery, equipment, other parts, etc. which are chargeable to sales tax. Exemption of sales tax on specified items has been granted with prior approval of the Division concerned.

Extension in date of Sunset for Electric Vehicles under S. No. 71 and Grant of 1% reduced rate on Electric Trucks by substituting S. No. 80 of Eighth Schedule

Currently, specified EVs are chargeable to 1% reduced rate in sales tax. For policy continuity the reduced sales tax regime for specified electric vehicles is extended till 30th June 2027. Moreover, reduced rate to electric trucks in CBU condition, along with electric buses, has also been provided. The measure is aimed at supporting clean mobility.

Addition of sub-clause (vi) in Procedures and Conditions of Ninth Schedule to allow payment of sales tax on imported mobile phones on installments

A new sub-clause has been introduced under the heading, liability, procedure and conditions which will enable an individual and blocking system of PTA to pay sales tax on import of mobile phones in installments subject to the condition that all the installment shall be paid before the end of the financial year in which the import is made.

Association of Persons and Individuals to act as withholding agents at par with companies under S. No. 4 of the Eleventh Schedule and addition of new S. No. 14 under Eleventh Schedule to include Toll Manufacturers in the category of withholding agents

Earlier, the companies as defined in the Income Tax Ordinance, 2001 were liable to withhold 5%, as sales tax, of the gross value of supplies made by person other than active taxpayer. Now, the scope of withholding tax has been increased by including AoPs and individuals in S. No. 4 in the Table of Eleventh Schedule as withholding agents.

Furthermore, a new S. No. 14 has also been added in the Eleventh Schedule in terms of which a toll manufacturer shall be liable to withhold and deposit four times of the tax charged on conversion charges, in case of persons other than registered persons. This measure may ensure tax collection from unregistered and un-organized segment of manufacturing establishment.

Addition of Proviso under the Procedure and Conditions after the Table to the Twelfth Schedule

Procedure and conditions laid down under the Twelfth Schedule, grant waiver of value addition tax at import if the raw materials/input goods are imported by the manufacturers for in-house consumption. This addition of proviso shall restrict the manufacturers to sale same-state imported raw materials to others. The importing manufacturers shall be liable to pay the value addition tax along with default surcharge, besides other penal action, if he supplies the imported raw materials in the same state.

Furthermore, the rate of minimum value addition tax at import stage in case of import of coal has been reduced to 1% subject to the conditions that such imported coal is exclusively and directly supplied to the Independent Power Producers (IPPs).

(Federal Excise Duty)

Insertion of Definition of 'Algorithmic Settlement Mechanism' 'Electronic Invoicing System', 'National Faceless Centre' and 'Production Monitoring System'

The existing provisions of Federal Excise Act, 2005 do not provide definition of- *'algorithmic settlement mechanism', 'electronic invoicing system', 'national faceless centre' and 'production monitoring system'*. The definitions of said terminologies have been inserted in the Federal Excise Act 2005 (FEA) for smooth and proper implementation of digitalization of dutiable activity and monitoring of production and sale of goods in real time to the Board in the manner as may be prescribed.

Insertion of new sub-section (3B) of section 3

A sub-section (3B) of section 3 of the FEA has been inserted through which special excise duty shall be imposed on such goods as listed in newly inserted Table-1A of the First Schedule to the FEA at the rates specified therein. Currently, imported cars, SUVs and other motor vehicles have been included in the said Table. A proviso to the said sub-section empowers the Board to prescribe time, mechanism, procedure, mode and manner of collection of such duty. The imposition of special excise duty shall be in addition to the duty imposed under sub-section (1) of section 3 of the FEA.

Addition of New Section 7A, for adoption of Faceless Audit and Assessment

A new section 7A of the FEA has been inserted wherein the audit and assessment proceedings under the FEA shall be conducted in the faceless manner by the faceless centre as provided in the STA and as explained above.

Substitution of Sub-Section (1) of Section 18

Under the existing sub-section (1) of section 18, a registered person was required to issue an invoice against dutiable and zero percent supplies only. As per the substituted sub-section, a registered person shall be required to issue invoice against exempt supplies, including invoice for an advance receipt, bearing a verifiable and unique FBR's invoice number. This amendment in continuation of FBR's digitalization process, may result in more transparency in declaration of activity of registered person in respect of dutiable supplies as well as exempt supplies.

Substitution of Sub-Section (4) of Section 19

The existing sub-section (4) of section 19 provided for imposition of penalty and imprisonment if a registered person, without prior approval of the Commissioner destroys, damages and erases to evade federal excise duty. Through the amendment, the offences related to the production monitoring system, video analytic system or violation of any other provision of FEA have been added to the said offences. However, penalty for said offences has not been amended which shall be rupees seventy-five thousand or ten times of duty involved whichever is higher. Besides, punishment of five years imprisonment.

Substitution of Sub-Section (1) of Section 26

By substitution of sub-section (1) of section 26 of the FEA, scope of seizure of excisable goods has been extended to monitoring of excisable goods through a production monitoring system. Through this amendment, removal of goods without electronic monitoring shall be liable to seizure along with conveyance which has been used for the movement or transportation of such goods.

Substitution of Sub-Section (1) of Section 27

Before this substitution, sub-section (1) of section 27 of the FEA provided that cigarettes, or beverages which are seized for the reasons of counterfeiting, without affixing or affixing counterfeited tax stamps, banderoles, stickers, labels or barcodes, as required under section 45A of this Act shall be liable to outright confiscation and shall be destroyed. The substitution has expanded the scope to include goods, along with cigarettes and beverages, which are required to be monitored through a production monitoring system under this Act and the rules made thereunder but are manufactured, produced, transported, removed or otherwise dealt with without such monitoring in the prescribed manner. Such goods shall be liable to outright confiscation and shall also be destroyed in the manner provided in the FEA.

Insertion of Section 34AA – Independent Case Scrutiny Committee

A new section 34AA has been inserted whereby 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, may only be filed by the Commissioner Inland Revenue after the same has been approved by an independent case scrutiny committee constituted by the Board. The committee comprises a retired judge of the superior courts (as Chairman), an advocate having not less than fifteen years' experience in the matters of FED and commercial litigation, and a senior serving or retired FBR officer (BS-20 or above), with the option to co-opt a chartered accountant as a non-voting member.

The recommendations of the committee are binding upon the Commissioner having jurisdiction over the case, immunity from legal proceedings has been provided to the members and the Commissioner, and the period consumed in obtaining the committee's approval stands excluded for the purpose of computing limitation for filing the matter.

Substitution of Section 45A of the Federal Excise Act, 2005

The newly substituted section 45A of FEA empowers the Board to prescribe conditions, restrictions and procedures for any goods or class of goods in respect of which monitoring or tracking of production, sales, clearance, stock or any other related activity may be implemented through electronic or other means.

Substitution of sub-sections (1), (2) and (3) and addition of sub-section (3A) of section 46

Through Finance Act, 2026, the aforesaid provisions relating to audit of a registered person have been amended through which the officer of Inland Revenue not below the rank of Assistant Commissioner after giving advance notice in writing may conduct the audit of a registered person and shall submit a detailed audit report containing the observations and findings of audit proceedings. Furthermore, the Commissioner may also conduct audit proceedings in electronic manners through video link or any other facility as may be prescribed by the Board.

After completion of audit and issuance of audit report, the registered person shall be granted an opportunity of being heard in respect of recovery of duties along with default surcharge and imposition of penalty. Furthermore, in sub-section (3), provisos have also been substituted as per which if a registered person deposits the amount of duty not paid, short paid or amount of duty evaded along with default surcharge before issuance of show cause notice, he shall be liable to deposit twenty-five percent of amount of penalty prescribed under this Act and the proceedings shall abate. Whereas the amount of said penalty shall be fifty percent in case the payment of the duty along with default surcharge is paid after issuance of show cause notice but before issuance of assessment order.

New sub-section (3A) of section 46 of the FEA has been inserted wherein Commissioner shall be empowered to direct a registered person to get his accounts re-audited by an accountant and to get the inventory re-valued by a Cost Accountant subject to conditions specified under the above said new sub-section.

Rationalizing FED on import of acetate tow

Acetate tow is an industrial raw material primarily used in cigarette, but also has industrial applications in absorbent, filtration, and specialty fibre products, etc. Through Finance Act 2024 the fixed FED per KG was introduced. It has resulted in substantial drop in import although industries using acetate have not shown substantial reduction in production of final products. FED paid at import stage is adjusted against FED chargeable on final products. The rate of FED on acetate tow has been reduced from Rs. 44,000 per kg to Rs. 10,000 per kg.

Creating parity in taxation of tobacco substitutes

E-liquids are chargeable to FED at ten thousand rupees per Kg or sixty five percent of retail price whichever is higher. On the other hand, tobacco mixtures in an electrically heated tobacco product, having almost similar utility, are chargeable to federal excise at sixteen thousand five hundred rupees per kg. To charge similar products at similar rate, the rate on e-liquids has been increased to sixteen thousand five hundred per kg.

Extension of Exemption from FED on Import and Local Supply of Electric Vehicles

S. No. 55 and 55B of Table-1 of the First Schedule to the Federal Excise Act, 2005 provide for imposition of FED on imported and locally manufactured vehicles. However, electric vehicles were excluded till 30.06.2026. The said time line of exemption/ exclusion has been extended for one year i.e. up to 30.06.2027.

FED on imported luxury EVs and other Luxury Vehicles

Currently, luxury vehicles are chargeable to FED upto 40% rate. But electric vehicles including electric cars and SUVs and other electric vehicles have been excluded from the chargeability of FED. Now, FED on luxury electric vehicles has been imposed at 30% on EVs with value exceeding US$ 75,000 and up to US$ 110,000; and 40% on EVs with value exceeding US$ 110,000.

Removing federal excise duty on WHO standard compliant sports/ electrolytes replenishing beverages

At present 20% FED has been levied on sugary fruit juices, syrups and squashes, waters. It even applies to hydration drinks/ electrolyte beverages specifically formulated to support hydration, electrolytes replenishment which do not contain sugar or artificial sweetener or both more than WHO standards i.e. 5g/ 100 ml. Such drinks (hydration drinks/ electrolyte beverages specifically formulated to support hydration, electrolytes replenishment) have been excluded from the levy of 20% charge of FED.

Removing anomaly between lubricating oil, base lubricating oil

Currently, 5% ad valorem FED has been levied on lubricating oil, but the base lubricating oils are not covered. Base lubricating oils have been charged to 5% ad valorem FED to create parity.

Curbing adulteration in petroleum products through FED intervention

Petroleum products are chargeable to PDL, whereas, petroleum top naphtha, white spirit/ mineral turpentine oil (MTT), and solvent oil are not chargeable to PDL. Certain unscrupulous elements started taking advantage of this difference by mixing these into PDL chargeable products and sell at higher price. To curb this practice, now FED on these three products has been levied @ Rs. 80 per Liter on the aforementioned products in sales tax mode.

However, for the industries using the said products as industrial input material, a contingent mechanism has been provided for exclusion/exemption of persons or class of persons from the charge of this duty where final product is either exempt from sales tax or where both the supplier and the manufacturer are integrated with the Board's computerized system for issuance of digital invoices, subject to the conditions laid down.

Insertion of New Table 1A of the First Schedule to the Federal Excise Act, 2005

In the First Schedule to the Federal Excise Act, 2005, a new Table-1A has been inserted for imposition of special excise duty at the rate specified therein.

However, under newly inserted subsection (3B) of Section 3, the Board has been empowered to prescribe the time, mechanism, procedure, mode and manner of collection of such duty.

<u>Rationalizing federal excise duty on foreign travel</u>

Currently, club, business and first-class air tickets are chargeable to fixed federal excise duty per ticket at very high rates, which, under certain situations, may even exceed the price of ticket. Excise duties have been rationalized to Rs. 50,000 for north America, Rs. 25,000 for Middle East, Rs. 40,000 for Europe and Rs. 40,000 for Far East and Australia.

<u>Addition of Petroleum Products Liable to FED in the Second Schedule in VAT Mode</u>

FED on certain petroleum products has been imposed by adding S. No. 65 of Table-1 of the First Schedule to the Federal Excise Act, 2005. The same goods have also been added in the Second Schedule for imposition of FED in sales tax mode which will enable the registered person to adjust the said duty against output sales tax.

<u>Exemption to strategic imports for SCO summit and counter-terrorism</u>

Exemption from duties and taxes on import of bullet proof vehicles has been granted for Shanghai Conference Organization (SCO) summit and also for counter-terrorism operations. The measure is aimed at national security, protection and safe mobility of state guests. Likewise, in order to counter terrorism, for high-risk and conflict-prone areas, tax free import of these strategic vehicles has been provided.

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