Government of Pakistan
Revenue Division
Federal Board of Revenue
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C. No. 1(50)S(ITP)/2026 Islamabad, the 8th September, 2026

Circular No. 02 of 2026-27
Income Tax

SUBJECT: FINANCE ACT, 2026 – EXPLANATION OF IMPORTANT AMENDMENTS MADE IN THE INCOME TAX ORDINANCE, 2001

The Finance Act, 2026 has brought about certain amendments in the Income Tax Ordinance, 2001. Some significant amendments are explained hereunder: -

1. Faceless Regime for Audit, Assessment, Appeals and Jurisdiction [Sections 2(5), 2(35)(1A), 122E, 129A, 209B and 227D]

Through the Finance Act, 2026, a comprehensive faceless regime has been introduced in the Ordinance. The definition of "assessment" in clause (5) of section 2 has been expanded to include "faceless assessment", and a new clause (35) (1A) has been inserted to define "National faceless centre".

Section 227D has been substituted to empower the Board to establish a National faceless centre (the centre) for conducting proceedings under the Ordinance 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 Income Tax Authorities and support staff as the Board may deem fit, organized into such wings and units as may be prescribed. The functions of audit, assessment and quality control for a specific case and tax year are required to be performed by separate officers, and all communications, whether among the units or with the taxpayer or his authorized representative, shall be through electronic means.

A new section 122E provides that any audit under section 177 or 214C, any order under section 111, any assessment under Part II of Chapter X and any rectification under section 221, 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 under section 227E, and the identity of the officer, including facial and voice identity, is to be kept confidential.

A new section 129A provides that any appeal filed under section 127 may be processed through the National faceless centre, and the provisions of sections 127, 128 and 129 shall apply accordingly.

A new section 209B provides for faceless jurisdiction of the Inland Revenue authorities appointed in the National faceless canter. Such jurisdiction may be exclusive or concurrent; the identity of the authority is to be kept confidential from the taxpayer; 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 section 209 or the confidentiality of the authority's identity.

2. **Algorithmic Settlement Mechanism [Sections 2(1AA), 114(6) & (6B) and 134B]**

A new concept of digitally operated settlement of proceedings has been introduced. Clause (1AA) has been inserted in section 2 to define "algorithmic settlement mechanism" with reference to the new section 134B.

Section 134B empowers the Board to establish a digitally operated algorithmic settlement mechanism for settlement of tax proceedings at any stage before any assessment or amendment of assessment under sections 121, 122 or 122E, through revision of return under sub-section (6) of section 114. Where the mechanism calculates and presents a settlement offer to the taxpayer — computed on the basis of the stage of proceedings, the taxpayer's compliance history, the nature and character of the discrepancy and such other basis as the Board may consider relevant — the taxpayer may, within ten days, accept the offer on IRIS, deposit the settlement amount along with the revised return and revise the relevant return of income. On such acceptance, the issues confronted through the notice of selection for audit, notice under section 111, audit report under section 177(6) or notice under section 122(9), as the case may be, shall stand abated, without precluding proceedings on any other issue or tax year.

Consequential amendments have been made in section 114: sub-section (6) now recognizes a revision of return where a taxpayer avails a settlement offered by the mechanism, and a new sub-section (6B) provides that in such a case the approval of the Commissioner shall not be required and no separate penalty or default surcharge shall be payable.

3. **Independent Case Scrutiny Committee [Section 133A]**

A new section 133A has been inserted whereby a reference under section 133 before the High Court, or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan, 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 matter.

4. **Amendments in Alternative Dispute Resolution [Section 134A]**

Section 134A has been amended by inserting a new sub-section (10A) which enables the committee, notwithstanding its dissolution, to rectify any mistake apparent from the record — on its own motion or as brought to its notice by the taxpayer or the Commissioner — within thirty days of the receipt of its decision. Further provisos have been added providing for reconstitution of the committee where a member becomes unavailable (the Chairman of the Board to appoint a replacement within fifteen days), a further period of sixty days to conclude the proceedings upon reconstitution, and a minimum total period of ninety days from the date of the committee's original constitution.

5. **Tax on Certain Payments by Life Insurance Business [Sections 7G, 151B and Division IC of Part III of the First Schedule]**

A new section 7G has been inserted whereby, for tax year 2026 and onwards, tax shall be imposed at the rate specified in Division IC of Part III of the First Schedule on every individual who receives any payout, benefit, surrender value, maturity proceeds or similar payment from a life insurance business on account of an insurance policy, family takaful certificate, plan or similar arrangement. The amount liable to tax is the gross payout reduced by the aggregate premiums or contributions paid by the policyholder or participant. The tax does not apply where the payout is made on account of the death or disability of the insured or participant, or after completion of four years from the date of issuance of the policy, certificate or plan, and the tax so charged is treated as final tax.

A corresponding new section 151B requires every life insurance company, including a family takaful operator or window takaful operator, to deduct tax at the rate specified in Division IC at the time of making such payment; the tax so deducted is treated as final tax. The rates specified in Division IC are as under:-

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

6. **Withholding Tax on Revenues Received from Social Media Platforms [Section 154B and Division IIIAB of Part III of the First Schedule]**

A new section 154B has been inserted requiring every banking and non-banking financial institution, at the time of credit or receipt of any amount in a person's account, to deduct tax at the rate specified in Division IIIAB of Part III of the First Schedule where such amount represents revenues received from social media platforms. The terms "digital content creator" or "social media influencer" and "payment" have been defined for the purpose of this section. The tax so deducted is minimum tax in the case of a resident person and final tax in the case of a non-resident person not having a permanent establishment in Pakistan. The rate of tax to be deducted under Division IIIAB has been fixed at five percent. A consequential amendment has been made in section 169.

7. **Relief in Tax Rates for Salaried and Individual Taxpayers [Clause (2) of Division I of Part I of the First Schedule]**

To provide relief to salaried individuals, the tax rates in various slabs on salary income have been reduced through substitution of the Table in clause (2) of Division I of Part I of the First Schedule. The revised rates 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/-	1% of the amount exceeding Rs. 600,000/-
3.	Where taxable income exceeds Rs. 1,200,000/- but does not exceed Rs. 2,200,000/-	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000/-
4.	Where taxable income exceeds Rs. 2,200,000/- but does not exceed Rs. 3,200,000/-	Rs. 116,000 + 20% of the amount exceeding Rs. 2,200,000/-
5.	Where taxable income exceeds Rs. 3,200,000/- but does not exceed Rs. 4,100,000/-	Rs. 316,000 + 25% of the amount exceeding Rs. 3,200,000/-
6.	Where taxable income exceeds Rs. 4,100,000/- but does not exceed Rs. 5,600,000/-	Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000/-
7.	Where taxable income exceeds Rs. 5,600,000/- but does not exceed Rs. 7,000,000/-	Rs. 976,000 + 32% of the amount exceeding Rs. 5,600,000/-
8.	Where taxable income exceeds Rs. 7,000,000/-	Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000/-

8. <u>Withdrawal of Surcharge on Salaried Individuals [Section 4AB]</u>

Under section 4AB, a surcharge is payable by every individual and association of persons at the rate of ten percent of the income tax imposed under Division I of Part I of the First Schedule where the taxable income exceeds rupees ten million, while for a person whose income was chargeable under the head "Salary" the surcharge was nine percent on crossing the said threshold of ten million rupees. Through the Finance Act, 2026 the nine percent surcharge has been withdrawn in the case of a salaried individual. The surcharge of ten percent on other individuals and associations of persons shall continue to apply.

9. <u>Omission of Tax on Deemed Income [Section 7E & tax rate in Division VIIIC]</u>

Tax on deemed income under section 7E of the Ordinance has been abolished by omission of section 7E. Consequentially Division VIIIC providing for rate of tax on deemed income has been omitted. Further amendment has been made in section 8 to omit references to section 7E.

10. **Adjustability of Tax under the E-commerce Tax Regime [Section 6A]**

A new sub-section (3) has been added in section 6A, whereby notwithstanding section 8, the tax imposed under section 6A shall be adjustable in the case of a person whose turnover in a tax year exceeds two hundred million rupees. However, a person having turnover up to two hundred million rupees has been provided an option to choose normal tax regime at the time of filing the return for the tax year 2027 and onwards.

11. **Integration with the Board's Computerized System [Sections 2(19DA), 2(30A), 2(30D), 2(42AA), 21(r), 64D and 174(5)]**

The framework for integration of businesses with the Board's computerized system has been strengthened. In section 2, clause (30A) has been amended to refer to the "Board's computerized system through a licensed integrator"; a new clause (30D) defines "Licensed integrator" by reference to the Sales Tax Act, 1990; a new clause (19DA) defines "electronically readable format"; and a new clause (42AA) defines "PRAL".

Clause (r) of section 21 has been substituted to provide for disallowance of three percent of the expenditure claimed by any person who fails to install an electronic resource or to act as an integrated enterprise as required by law. Section 64D has been substituted to provide a "Tax credit for integration" equal to ten percent of the amount actually invested in the electronic resource in the year of its installation, integration and configuration, available only against normal tax payable under Division I or Division II of Part I of the First Schedule. Section 174(5) has been substituted to empower the Board to require any person or class of persons to install and use an electronic resource, or to act as an integrated enterprise, for receiving, storing, matching and accessing information regarding transactions bearing on tax liability.

12. **Reporting of Financial Transaction Data by Banks [Sections 165AB and 175AA]**

A new section 165AB has been inserted whereby, notwithstanding the banking confidentiality laws, every banking company and Electronic Money Institution shall electronically upload to the Central Data Hub the prescribed information in respect of account holders having deposits or withdrawals exceeding one hundred million rupees during a reporting period, for algorithmic cross-matching of tax and bank information. The information to be digitally processed, is not to be visible to any income tax authority during the cross-matching, and only in the case of a gross mismatch is to be fed into the Board's Compliance Risk Management (CRM) system for further proceedings by the National faceless centre. The terms "reporting period", "specified date", "accounts", "peak credits", "Central Data Hub" and "compliance risk management" have been defined, and confidentiality safeguards have been provided.

Section 175AA has been amended by adding a new paragraph (c) enabling the State Bank of Pakistan to establish, operate and maintain a secure centralized virtual repository of banking data, comprising such information, records and financial transactions of persons maintained by scheduled banks as may be prescribed.

13. Taxation of Non-resident Shipping through an Authorised Shipping Agent [Sections 2(6A) and 143]

A new clause (6A) has been inserted in section 2 to define "authorised shipping agent", being a person in Pakistan authorised by a non-resident ship owner, charterer or operator to act on its behalf in respect of a vessel and who is responsible for the receipt, collection or accounting of total freight and for documentation and manifest filing, and who furnishes the return under section 143. Such agent is to be treated as the representative of the non-resident under section 172 and is jointly and severally liable for the tax and related obligations.

Section 143 has been amended to enable the authorised shipping agent to furnish the return in respect of a vessel or voyage; to require that only one return be furnished for each vessel or voyage covering the total freight and all related amounts; to make the master of the ship or the authorised shipping agent jointly and severally responsible; and to require that electronic confirmation of the filing of return and payment of tax be received before port clearance is granted.

14. Rationalization of Withholding Tax Rates in the Nature of Minimum Tax [Section 53A]

A new section 53A has been inserted empowering the Federal Government to reduce, by one percent, the rate of any withholding tax in the nature of minimum tax as given in the First Schedule, other than the minimum tax chargeable under section 113, on the basis of "economic viability" in respect of persons or a class of persons, subject to such restrictions and limitations as it may specify. The term "economic viability" has been defined, and all such reductions are required to be placed before the National Assembly in the relevant financial year.

15. Cost of Inherited Immovable Property and Transmission on Death [Sections 76(8A) and 79]

A new sub-section (8A) has been added in section 76 to provide that where immovable property is acquired by an individual through inheritance, the cost of such property in the hands of that individual shall be its fair market value, as determined under sub-section (5) of section 68, on transfer of the property to the beneficiary. In section 79, an explanation has been inserted clarifying that the transmission of immovable property to a beneficiary on the death of a person shall also include the transmission of assets by reason of a family settlement among the family members consequent upon the death of the person.

16. Limited Liability Partnership [Sections 80(2)(a) and 92]

Clause (a) of sub-section (2) of section 80 has been amended by inserting the words "limited liability partnership" to provide that the limited liability partnership shall also be an association of persons. In section 92, the explanation in sub-section (1) has been omitted and a new sub-section (4A) has been inserted providing that where the income of a limited liability partnership is exempt from tax, any amount received by a member of such partnership, as a share of the profits earned by such partnership, shall be included in the income of that member.

17. Capital Gains – Computation and Withholding [Sections 100B and 152(1DA)]

In section 100B, the reference to "a non-banking finance company" in clause (b) of sub-section (2) has been omitted along with omission of clauses (c) and (d) of that sub-section to extend the application of special provisions namely section 37A read with rules contained in the Eighth Schedule in respect of capital gains arising from the disposal of securities by a non-banking finance company, a modaraba and to a company only in respect debt securities.

New provision has been introduced in the form of addition of sub-section (3) in section 100B to provide that in the cases of a mutual fund, a banking company and an insurance company, the NCCPL shall compute and determine the capital gain as per the mechanism prescribed under section 37A, while such entities shall continue to deposit tax on the amount of capital gain as per the applicable provisions of the Ordinance.

Sub-section (1DA) of section 152 has been substituted. Now every banking company maintaining a Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA) or Non-Resident Rupee Business Value Account (NRBVA) is required to deduct tax from capital gain arising on the disposal of debt instruments, Government securities and certificates (including their Shariah-compliant variants) invested through such accounts, at the rate specified in Division II of Part III of the First Schedule.

18. Electronic Filing of Returns and Financial Statements [Section 114(2A)]

Sub-section (2A) of section 114 has been substituted to require that a return of income be filed electronically on IRIS as prescribed by the Board, and to empower the Board to make rules for such filing, including the process of verification, digital signatures and other matters relating to the electronic filing of returns, statements or documents. A proviso further requires that, in the case of companies, for tax year 2026 and onwards, the financial statements accompanying the return be filed only in an electronically readable file format.

19. Enhanced Powers of Re-audit, Re-valuation and Actuarial Valuation [Section 177(6B)]

A new sub-section (6B) has been added in section 177 whereby the Commissioner, having regard to the nature and complexity of the accounts, their volume, doubts about their correctness, multiplicity of transactions or the specialized nature of the taxpayer's business, may — after affording the taxpayer a reasonable opportunity of being heard and with the previous approval of the Chief Commissioner — direct that the accounts be re-audited by an accountant, the inventory re-valued by a cost accountant, or the actuarial values in the accounts be determined by an actuary, in each case from amongst a panel nominated by the Board. A mechanism has also been provided enabling the registered person to object to the nomination of a particular accountant or cost accountant.

20. Super Tax on High Earning Persons [Division IIB of Part I of the First Schedule and clause (104B) of Part IV of the Second Schedule]

The rates of super tax under section 4C contained in Division IIB of Part I of the First Schedule have been amended as under: -

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

Aforesaid amendment signifies that super tax has been abolished for every person having income up to Rs. 500 million except the persons specified in the above table. However, by introducing a new clause (104B) in Part IV of the Second Schedule, super tax has been totally abolished for exporters deriving income exceeding Rs. 500 million if the export proceeds realized for the tax year represent more than eighty percent of exporter's total turnover for that year.

Further, the rate of super tax has been reduced from 10% to 8% where income of a person exceeds Rs. 500 million, other than the persons mentioned in S. # 1 to 3 of the above table.

21. Amendments in Advance Tax on Immovable Property and International Credit/Debit Card and Omission of Advance Tax on TV Plays and Advertisements [Divisions X, XVIII, XXVII and XA of Part IV of the First Schedule]

Advance taxes collected from the seller and purchaser at the time of registering, recording or attesting the transfer of immovable property have been reduced. After substitution of Division X of Part IV of the First Schedule, the new advance tax to be collected under section 236C on the sale or transfer of immovable property shall be a flat rate of 2.75% of the gross amount of the consideration received. After substitution of Division XVIII, the new advance tax to be collected under section 236K on the purchase of immovable property, shall be a flat rate of 1.25% of the fair market value of the immovable property, in place of the earlier slab-based higher rates.

In Division XXVII (advance tax on international credit, debit or prepaid cards), the rate has been reduced from five percent to 0.5%.

As the advance tax on TV plays and advertisements under section 236CA has been abolished, consequential amendment has been made to omit the Division XA of Part IV of the First Schedule.

22. Changes in Withholding Tax Rates on Services and on Certain Debt Securities [Divisions III and IIIAA of Part III of the First Schedule]

Rates of advance withholding tax for rendering of or providing of services in Division III of Part III of the First Schedule have been amended. In paragraph (2) of said Division III the rate in sub-paragraph (i) has been increased from six percent to seven percent. Sub-paragraph (ii) has been substituted to provide a rate of fifteen percent in the case of independent professional services such as doctors, lawyers, architects, accountants, and software engineers or developers working independently.

Further amendments made in paragraph (2) provide a rate of 12% of the gross amount payable to companies for terminal and port operating services and a rate of 14% of the gross amount in the cases of other services not specified in paragraph (2) of the said Division III.

The rate of withholding tax under section 151A, at the time of disposal of debt securities on the gross amount of capital gain specified in Division IIIAA of Part III, has been increased from fifteen percent to twenty percent.

23. Exemption Certificates for certain persons & NPOs [Section 159(1C) & (1D)]

Amendments have been made in section 159 to streamline issuance of certificate in the cases of persons covered in clauses (99) and (99C) of Part I of the Second Schedule and a not-for-profit organization who has been issued approved under section 2(36)(c) of the Ordinance. In this regard sub-sections (1C) and (1D) have been introduced.

New sub-section (1C) introduced provides that if a person has distributed 90% or more of its accounting income in accordance with the provisions of clauses (99) and (99C) of Part I of the Second Schedule for the immediately preceding tax year, then the person shall be eligible and shall be issued the certificate under section 159 (1) for the subsequent tax year. An exception further provides that in case of a person where there is no preceding tax year due to starting business for the first time, the person shall be issued the said certificate on the basis of an undertaking furnished to the Commissioner that 90% distribution as required shall be made for the year.

Sub-section (1D) introduced provides that a person shall be eligible and shall be issued the said certificate under section 159 (1) for the whole tax year, if the persons has been granted approval under sub-clause (c) of clause (36) of section 2 for a tax year.

24. Reduced Rates [Second Schedule Part I clauses (79) & (99C); Part II clauses (5AA) & (24D)]

Clause (79) has been substituted to broaden its scope. Now profit on debt derived from a rupee account held with a scheduled bank in Pakistan shall be exempt from tax in the case of a person who maintains a Non-Resident Rupee Value Account or Non-Resident Business Value Account under the scheme introduced by the State Bank of Pakistan.

Clause (99C) has been introduced in Part I of the Second Schedule to provide exemption to the income of a Private Equity and Venture Capital Fund registered under the Private Funds Regulations, 2015, if not less than ninety percent of its accounting income (as reduced by accumulated losses and unrealized capital gains) is distributed to its unit or certificate holders or shareholders, subject to the specified condition.

In Part II of the Second Schedule amendments made in clause (5AA) provides that the rate of tax to be deducted from a profit on debt under section 152 shall be 10% in the case of any person if the profit on debt has been derived from a debt instrument issued by the Federal Government under Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad a non-resident rupee account repatriable (NRAR), foreign currency value account (FCVA), foreign currency business value account (FCBVA), non-resident rupee value account (NRVA) or non-resident rupee business value account (NRBVA), maintained with a banking company in Pakistan.

Amendments made in clause (24D) of said Part II reduces the rate of minimum tax under sub-section (1) of section 113 to 0.5% in cases of distributors, dealers, sub-dealers and wholesalers of the goods specified in the said clause subject to the condition that the beneficiaries appear on the active taxpayers' lists issued under the Sales Tax Act, 1990 and the Ordinance.

25. <u>Rationalization of Exemptions from Specific Provisions [Part IV of the Second Schedule – clauses (47B), (111AB), (114A) and (115)]</u>

Amendment has been made in clause (47B) of Part IV of the Second Schedule to provide that advance withholding tax on capital gains on debt securities under section 151A shall also not apply to collective investment scheme and such other persons as specified in that clause as recipient of payment.

Clause (111AB) of said Part IV excluded application of enhanced rate of withholding tax under the Tenth Schedule to non-resident individuals holding POC, NICOP or CNIC who maintained FCVA and NRVA. After the amendment the enhanced rate of WHT shall not apply to FCVA, NRVA, foreign currency business value account (FCBVA) or non-resident rupee business value account (NRBVA) with authorised banks in Pakistan under foreign exchange regulations issued by the SBP.

Section 114(1)(ae) provides that every person whose income is subject to FTR is required to file return of income under section 114. Section 181 required every taxpayer to be registered as prescribed. Amendment made vide Finance Act, 2026 in clause (114A) excludes a person maintaining FCVA, FCBVA, NRVA, NRVBA with authorised banks in Pakistan under the foreign currency regulations issued by the SBP from applicability of section 114(1)(ae) and 181 only if such person has no other Pakistan-source income other than the following:

(a) Profit on debt on FCVA, FCVBA, NRVA or NRVBA;

(b) Profit on debt earned on GoP securities where investment has been made from proceeds of FCVA, FCVBA, NRVA or NRVBA;

(c) Capital gain from disposal of immovable property acquired from proceeds of FCVA or NRVA;

(d) Capital gain from disposal of securities traded on Pakistan Stock Exchange and units of mutual funds that are acquired from proceeds of FCVA, FCVBA, NRVA or NRVBA;

(e) Dividend income from securities traded on Pakistan Stock Exchange and units of mutual funds that are acquired from proceeds of FCVA, FCVBA, NRVA or NRVBA.

Clause (115) has been amended to provide that a trader being an individual shall not be a prescribed person to withhold tax under section 153 of the Ordinance if his turnover does not exceed two hundred million rupees for a tax year.

26. Enhancement of Penalties [Section 182]

The Table in sub-section (1) of section 182 has been amended to strengthen the penalty regime, as follows:-

(i) The Explanation against S. No. 1 has been substituted to declare that the expression "tax payable" means the higher of the tax chargeable on the taxable income assessed under sections 120, 121, 122, 122D or 122E, or the tax payable for the immediately preceding tax year for which a return of income was duly filed.

(ii) New S. Nos. 2A and 2B have been inserted prescribing penalties for failure to install, use, maintain or operate an electronic resource required under section 174(5) (one percent of the turnover or one million rupees, whichever is higher, for the first default and two million rupees for every subsequent quarterly default), and for failure by an integrated organisation under section 175A to integrate its IT platform or to share data (five hundred thousand rupees for the first default and one million rupees for every subsequent default, imposed on the principal officer or chief executive).

(iii) The penalties against S. Nos. 8 and 10 have been substantially enhanced.

(iv) Against S. No. 35, the word "company" has been substituted with "person, including a company", and an Explanation has been inserted providing that audited financial statements furnished as image files, scanned documents, or password-protected or otherwise illegible or inaccessible files shall be deemed to have been furnished as blank or incomplete documents.

(v) A new S. No. 36 has been added imposing a penalty equal to the amount of excess credit where a person claims credit for tax withheld at source in excess of the amount verifiably deducted and deposited by the withholding agent.

27. Surcharge and Undertaking Option for Persons Not on the Active Taxpayers' List [Section 182A]

In the proviso to clause (a) of sub-section (1) of section 182A, the amounts of surcharge payable by persons not appearing on the active taxpayers' list have been substantially enhanced. A new sub-section (3) has been added providing that the conditions of payment of surcharge shall not apply to an individual who furnishes an undertaking before the Commissioner declaring that he shall not purchase, acquire or otherwise obtain ownership or beneficial interest in any property for a period of six months commencing from the date of furnishing such undertaking.

28. Omission and Relocation of Certain Provisions [Sections 147(6C), 209A, 231B(6)(c), 236CA & 237C; Eighth Schedule; Tenth Schedule;]

The adjustable advance tax under sub-section (6C) of section 147 for exporters @ 1% has been abolished. The provisions of section 209A on Uniform of the officers and officials of Inland Revenue Service to be prescribed by the Board has been properly placed as section 237C.

In respect of the date of first registration in case of acquisition of an unregistered vehicle, the clause (c) of sub-section (6) of section 231B has been omitted to treat the date of first registration the same for Federal, Provincial and Local Governments which would be the date of first registration by the Excise and Taxation Department.

Rules contained in the Eighth Schedule provide for computation of capital gain tax by NCCPL under section 237A on disposal of securities. Rule 5 of that Schedule provided that a person may opt out of the rules in that Schedule after obtaining prior approval of the Commissioner. That option has been abolished. Now rules in that Schedule on computation and payment of capital gain tax apply on every person except persons specified in section 100BA to the extent of payment of tax.

Rule 1A of the Tenth Schedule provide a relatively higher rate of advance withholding tax under sections 236C and 236K on persons whose names appears on ATL but they filed return of income after the due date or after the extended due date fixed for filing of return. Those relatively higher rate of WHT rates have been abolished.

Further, in the Tenth Schedule, rule 10 has been amended whereby a new clause (aa) has been introduced to exclude application of enhanced rate of withholding tax under section 151B on payment to a non-resident person whose name is not on ATL.

Moreover, clause (y) in the aforesaid rule 10 has been omitted meaning thereby the enhanced rate of tax on capital gain on disposal of securities under section 37A shall become applicable if the person's name is not on the ATL.

29. Directorate General (Field Compliance) and Disclosure of Information [Sections 216, 222 & 228A]

A new section 228A has been inserted establishing the Directorate General (Field Compliance), Inland Revenue, comprising a Director General and such Directors, Additional Directors, Deputy Directors, Assistant Directors and other officers as the Board may appoint, with functions, jurisdiction and powers to be specified and conferred by the Board. In section 216, clause (ba) of sub-section (3) has been substituted to permit disclosure of information to auditors, audit mentors and sectoral experts appointed on a contractual basis or engaged through a third party, after a non-disclosure agreement is made, and clause (ke) has been broadened to include international research institutions. Section 222 has been amended to recognize audit mentors and sectoral experts alongside auditors.

30. **Other Amendments [Section 99B; First Schedule Parts III Division IV & IVA; and Twelfth Schedule]**

In section 99B (special procedure for small traders and shopkeepers), the scope has been widened to include the "rate and payment of tax including fixed tax, filing of return and audit".

In Part III of the First Schedule, the rates of advance collection of tax on exports under paragraphs (1) and (3) of Division IV have been fixed at 1.25% as minimum tax. However, the additional 1% advance tax under section 147(6C) has been abolished on exports.

Further, the reduced rate of advance tax on export of IT and IT enabled services @ 0.25% has been extended from tax year 2027 to 2029 by amendment in Division IVA.

In Part II of the Twelfth Schedule, a new PCT code "1520.0000 – Glycerol, crude; glycerol waters and glycerol lyes" has been inserted. Advance tax rate at the rate of 2% of the import value as increased by customs duty, sales tax and federal excise is applicable under section 148 on import of goods as specified in Part II of the Twelfth Schedule. However, the rate of tax shall be 3% ad valorem in case of commercial importer of goods specified in that Part II.

The Board reaffirms its commitment to provide every support for facilitating compliance to the newly introduced provisions in the Ordinance. The Board will also ensure that the provisions related to enforcement are carried out in a judicious manner, with redressal committees in place comprising representatives of the business community and the Board.

(Muhammad Amin Qureshi)
Secretary (IT-Budget)

(1) SA to Chairman, FBR
(2) SA to Member (Inland Revenue – Policy), FBR
(3) SA to Member (Inland Revenue – Operations), FBR
(4) SA to Member (IT), FBR
(5) All Chief Commissioners Inland Revenue
(6) President Pakistan Tax Bar Association
(7) Webmaster for placement on FBR's web portal