

TAX INSIGHTS MAY 2025

Welcome to our latest newsletter, packed with insightful updates and vital information on Income Tax, Sales Tax, and Customs duties in Pakistan. This edition presents the latest developments and changes in fiscal laws and regulations that will impact businesses and individuals. Stay ahead of the curve with our newsletter and ensure compliance with the ever-evolving tax landscape in Pakistan.



INCOME TAX

1. Amendment in Income Tax Ordinance, 2001: Income Tax (Amendment) Bill 2025

The National Assembly has passed a Bill to introduce further changes to the Income Tax Ordinance, 2001, as follows:

a. Short title and Commencement

- This Bill shall be called the Income Tax (Amendment) Bill, 2025.
- It shall, unless provided otherwise, come into force at once.
- Nothing in this Bill shall affect transactions which are past and closed.

b. Amendment in the First Schedule

The tax rate for banking companies as given in First Schedule, Part I, Division II of Income Tax Ordinance, 2001, has been increased from 39% to:

- 44% for tax year 2025

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- 43% for tax year 2026
- 42% for tax year 2027 and onwards

c. Amendments in the Seventh Schedule

- The expression "2022 and onwards" has been replaced with "2023"
- The existing explanation has been numbered as Explanation-1 and a new Explanation-2 has been added.
- In Explanation-2, it has been clarified that the term "gross advances and deposits" refers to the year-end figures disclosed in the annual audited accounts. Furthermore, from tax year 2025 onwards, banking companies' profits and gains will be taxed as per the amended rates provided in Division II of Part I of the First Schedule.

The Bill has been transferred to the Senate. For Details: [Income Tax \(Amendment\) Bill 2025, dated 16.05.2025](#)

2. Amendment in Income Tax Ordinance, 2001: Tax Laws (Amendment) Ordinance 2025

The President of Pakistan has promulgated Ordinance No. IV of 2025 on May 02, 2025, called the Tax Laws (Amendment) Ordinance, 2025. The National Assembly has passed the bill on May 16, 2025. The Ordinance introduced following amendments to the Income Tax Ordinance, 2001 (XLIX of 2001) and the Federal Excise Act, 2005.

a. Income Tax Ordinance, 2001 (XLIX of 2001)

i. Amendment in section 138

A new sub-section (3A) has been added to ensure fast tax recovery in cases decided by the High Court or Supreme Court. Under this provision, if a tax liability arises from such a decision, it must be paid immediately or within the timeframe specified in the tax authority's notice, notwithstanding anything to the contrary in the Ordinance or any other law, rule, decision, or judgment of any court, forum, or authority.

ii. Amendment in section 140

A new sub-section (6A) has been introduced to facilitate tax recovery from anyone holding money on behalf of a taxpayer, in cases where the tax liability arises from a High Court or Supreme Court decision. In such cases, the tax becomes immediately recoverable or within the timeframe specified in the tax authority's notice regardless of any conflicting law, rule, or judgment by any court or authority.

iii. Insertion of section 175C (Posting of Officer of Inland Revenue)

A new section 175C has been added which empowers the FBR or the Chief Commissioner to post an Inland Revenue Officer or any other authorized official at the premises of any person or class of persons. This is to monitor the production and supply of goods, provision of services, and unsold stock at any given time.

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b. Federal Excise Act, 2005 ("FED Act")

i. Amendment in section 26 (power to seize)

The scope of powers to seize goods has been extended to goods without affixing or affixing counterfeit tax stamps, bar codes, banderoles, stickers, labels or bar codes, as required under section 45A (Monitoring or tracking by electronic or other means) of the Federal Excise Act, 2005.

ii. Amendment in section 27 (Confiscation of goods subject to federal excise duty)

Through an amendment in sub-section (1), the scope of goods liable to outright confiscation and destruction in accordance with the prescribed manner has been extended to the goods without affixing or affixing counterfeit tax stamps, bar codes, banderoles, stickers, labels, or bar codes, as required under section 45A.

A new sub-section (4) has been inserted to empower the Board to authorise any officer or employee of the Federal or Provincial Government through a notification to exercise the powers and perform the functions of the Officer of Inland Revenue under section 26 and sub-section (1) of section 27 of the Federal Excise Act, 2005. Such powers granted to the Board are specifically applicable to the goods subject to monitoring under section 45A and counterfeited goods.

For Details: [F. No. 2\(1\)/2025-Pub dated 02.05.2025](#)

3. Proposed Amendment in Income Tax Rules, 2002: S.R.O 765(1)/2025

The FBR, through S.R.O. 765(1)/2025 dated 8th May 2025 has proposed a draft amendment to Sub-rule 11 of Rule 231C of Income Tax Rules, 2002, introducing the rules for lump-sum remuneration for the Alternative Dispute Resolution committee members based on the tax liability involved:

If the tax liability is up to PKR 50 million

- For Chairperson PKR 300,000
- For Member (excluding the Chief Commissioner Inland Revenue) PKR 150,000

If the tax liability exceeds PKR 50 million

- For Chairperson PKR 500,000
- For Member (excluding the Chief Commissioner Inland Revenue) PKR 250,000

TA/DA equivalent to BPS-22 (for chairperson) & BPS-21 (for members) may be allowed.

For Details: [S.R.O 765\(1\)/2025 dated 08.05.2025](#)

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SALES TAX

Extension in Date for Submission of Sales Tax & Federal Excise Return for the Tax Period of April 2025.

The FBR, in exercise of its powers under Section 74 of the Sales Tax Act, 1990 and Section 43 of the Federal Excise Act, 2005, has announced extension in the deadline for submission of Sales Tax and Federal Excise returns for the tax period of April 2025. Originally due on 18th May 2025, the due date has now been extended to 5th June 2025. This extension is conditional upon payment of the sales tax liability by the original due date.

For Details: [C.No. 9 \(11\) ST-LP&E/Misc/2016/68963-R dated 30.05.2025](#)

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CUSTOMS

1. Amendments in Tracking and Monitoring Rules: S.R.O 761 (1)/2025

Through S.R.O. 761(I)/2025, the FBR has implemented the previously proposed amendment to the Customs Rules, 2001, published via S.R.O 609(1)/2025. The amendment substitutes the Rule 1122 with a new provision requiring the Project Director to ensure an annual third-party audit of the system and periodic third-party monitoring of the tracking services for system improvement, corrective and remedial measures.

For Details: [S.R.O 761\(1\)/2025 dated 06.05.2025](#)

2. Amendment to Authorization of NLC Off-Dock Terminal: S.R.O 766(1)/2025

Through S.R.O. 766(I)/2025, the FBR has amended S.R.O. 697(I)/2024 regarding the National Logistic Corporation (NLC) Off-Dock Terminal to introduce the following key changes:

- Inserting "read with clause (b) of section 10" after "section 78"
- Replacing the term "Off Dock" with "Off-Dock."
- Authorizing Off-Dock Terminal to handle all types of Temporary Import Permit (TIP) operations under Chapter XXIX of the Customs Rules, 2001.

For Details: [S.R.O 766 \(1\)/2025 dated 08.05.2025](#)

3. Amendment in Fee Imposed on Afghan Transit Commercial Goods: S.R.O 816(1)/2025

Through S.R.O. 816(I)/2025, the FBR has amended S.R.O. 1380(I)/2023 regarding the 10% *ad valorem* fee imposed on Afghan transit commercial goods, to introduce the following changes:

- Against S. No. 1, in column (3), the following HS codes shall be omitted: 1804.0000, 1805.0000, 1806.2010, 1806.2090, 1806.3100, 1806.3200, 1806.9000.
- Against serial No.3, in column 3, after the words "HS Code", the following shall be inserted: and PCT headings 8401, 8402, 8403, 8404, 8405, 8406, 8407, 8409, 8410, 8411, 8412, 8417, 8419, 8420, 8425, 8426, 8427, 8428, 8430, 8432, 8433, 8434, 8435, 8436, 8437, 8438, 8439, 8440, 8442, 8443, 8444, 8445, 8447, 8448, 8454, 8456, 8457, 8458, 8459, 8460, 8461, 8462, 8463, 8464, 8465, 8466, 8467, 8468, 8470, 8471, 8472, 8473, 8474, 8475, 8476, 8478, 8482, 8483, 8484, 8485, 8486, 8487, 8503, 8511, 8512, 8514, 8519, 8522, 8523, 8524, 8525, 8526, 8527, 8528, 8530, 8531, 8532, 8533, 8534, 8535, 8537, 8538, 8545, 8546, 8547, 8548, 8549.
- Against serial No.4, in column (3), the following HS codes shall be omitted: 6303, 6305, 6307, 6308.
- against serial No.5, in column (3), the following HS codes shall be omitted: 6101, 6105, 6107, 6112, 6116, 6201, 6203, 6205, 6207, 6209, 6210, 6211, 6213, 6215, 6216, 6217.

For Details: [S.R.O 816\(1\)/2025 dated 17.05.2025](#)

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4. Amendment in Customs Rules, 2001: S.R.O 933 (1)/2025

The FBR has introduced an amendment to sub-chapter VII of Chapter XXI (Procedure of imports through Custom Computerised System CCS) of the Customs Rules, 2001 through S.R.O. 933(I)/2025. The amendment adds the words "or Insurance Guarantee by an AA++ Company" after the words "bank guarantee".

For Details: [S.R.O 933\(1\)/2025 dated 27.05.2025](#)

5. Amendment in Customs Rules, 2001: S.R.O 862 (1)/2025

The FBR has introduced the following draft amendments to Chapter XL, titled Export Facilitation Scheme 2021, of the Customs Rules, 2001.

a. Amendments to Rule 874

In rule 874, sub-rule (I), clause (i), after the word "years" a new expression is added in which State Defence Production Entities (DPEs) and their wholly owned subsidiaries are permitted to undertake defence manufacturing, repair, maintenance, and related activities for re-export purposes with proper authorization and annual reporting requirements.

b. Amendments to Rule 877

In rule 877, sub-rule (15), a colon is added at the end in place of a full stop and a new expression is added in which it is stated that the State-Owned DPEs and their wholly-owned subsidiaries will have their input-output ratios determined by a specialized committee constituted by the Defence Production Division, comprising technical defence and military experts, with the Chief Collector of Exports & IOCO designated as the resolving authority for operational issues.

For Details: [S.R.O.862\(I\)/2025](#)

6. New Customs Command Fund (CCF) Rules, 2025, S.R.O 908(1)/2025

The FBR has introduced new draft rules governing the Customs Command Fund (CCF) to enhance anti-smuggling operations:

a. Short title, commencement and application

The Customs Command Fund (CCF) Rules, 2025, shall come into force immediately. These rules regulate expenditures from the CCF, which is maintained at the office of the Chief Collector of Customs (Enforcement) and the Collectorates of Customs Enforcement.

b. Definitions

- "Act" means the Customs Act 1960 (IV of 1969).
- "Board" means Federal Board of Revenue, Islamabad.
- "Cash Disbursement Record (CDR)" means record maintained by the Special Disbursing Officer (SDO) as herein defined showing receipt, disbursement and balance of funds.
- "Committee" means the Committees established under rules 7 and 3 to supervise and oversee CCF disbursement at Chief Collector and Collectorate levels.

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- "Customs Command Fund" means Fund established at Customs Enforcement offices to reinforce operational capacity, support operations, and enhance intelligence gathering for counter-smuggling activities.
- Emergency means Serious situations (accidents, disasters) requiring immediate action to prevent hindrance to anti-smuggling operations
- Head of formation means The Collector of the Customs Enforcement Collectorate.
- Source of Command Fund means 20% share of auction proceeds from Customs Enforcement Collectorates plus additional federal allocations.
- Special Disbursing Officer (SDO) means an officer of Assistant Collector rank or above, notified by the head of formation.
- Other terms will have same meanings as defined in the Customs Act or Customs Reward Rules, 2012.

c. CCF Committee:

The CCF Committee shall consist of the following:

- Collector, Chairman
- Additional Collector, Member
- Assistant / Deputy Collector (Headquarters), Member
- Nominee of officers/officials of BPS-16, Member

d. Expenditure from CCF:

The CCF Committee may authorize expenditure for informer payments (not exceeding Rs. 500,000 per case) for critical information in anti-smuggling operations, logistic costs beyond the allocated budget related to transportation, storage, inventory, or destruction of smuggled goods, procurement of supplies, rations, utilities, safety gear, and equipment essential for the wellbeing and safety of customs staff deployed at enforcement points; and special rewards for officers or officials who demonstrate extraordinary efforts in tracing, interdiction, seizure, investigation, and prosecution of smuggling cases. In such cases the rewards shall not exceed two years basic salary.

e. Amount of Disbursement:

CCF funds are allocated with specific caps: logistic charges (35%), hard area supplies (25%), and information gathering and special rewards (20% each). The Central CCF Committee can authorize up to 10% flexibility between categories during emergencies.

f. Confidentiality and procedure regarding informers:

Following procedure shall be followed to for maintaining integrity of information and confidentiality of informer:

- Each informer is assigned a unique code, and records should mention the officer through whom the information was obtained. Seizure reports will only mention the informer code. Any advance payment to informers must be properly recorded.

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- The officer receiving the information must issue a certificate confirming the payment, specifying the amount (in words and digits) and the seizure case number.
- The Confidential Disbursement Register (CDR) for informer payments must be maintained separately from other expenses.

g. Central CFF Committee:

- There shall be a 5-member committee headed by Chief Collector (Enforcement), including Collector (HQs), one Enforcement Collector, and two BS-18+ officers nominated by the Chief Collector.
- Chief Collector distributes payments to Enforcement Collectorates based on auction proceeds, sanctioned strength, and strategic importance. Additional fund requests with justification can be submitted to CCCF for approval.

h. General Guidelines:

The following general guidelines shall be followed while disbursing expenditure from the CCF:

- All disbursements require Special Disbursing Officer (SDO) signed documentary evidence.
- Expense statements must be submitted to CCCF by the 5th of each month.
- No salaries, wages, overtime, or new construction; only repairs of existing structures allowed.
- CCCFC may issue additional guidelines as needed.
- Formation head and SDO are liable for fund misuse.

i. Periodic review of CCF and other allied matters:

Chief Collector of Customs (Enforcement) shall conduct yearly CCF reviews and may seek suggestions from all Enforcement formations for operational improvements.

j. Audit:

Auditor General of Pakistan audits each Enforcement Collectorate's CCF yearly while protecting informer identities. Audit reports shall go to CCCF Committee, and Chief Collector shall ensure corrective actions are implemented.

k. Review and Decisions:

Any grievances regarding rule implementation shall follow the procedure outlined in Customs Reward Rules, 2012 mutatis mutandis.

For Details: [S.R.O 908\(1\)/2025 dated 26.05.2025](#)

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PUNJAB SALES TAX

Mandatory PRA Registration for Service Providers in Punjab

On 22nd May 2025, the Punjab Revenue Authority (PRA) issued an instruction to the relevant departments of the Government of Punjab to ensure the registration of service providers under the Punjab Sales Tax on Services Act 2012. The instruction states that PRA has issued Notification No. PRA.Order.06/2012/752 dated 14th April 2025, under Section 76A of the Punjab Sales Tax on Services Act, 2012 which mandates all licensing and permission-granting authorities in the Government of Punjab to ensure that applicants offering taxable services are registered with the PRA prior to the issuance or renewal of licenses, permits, or approvals.

As per the notification, all government departments handling licenses or registrations for businesses involved in taxable services must obtain a valid PRA Registration Certificate (Form PST-03) from applicants. Authorities are further instructed to verify the authenticity and active status of the certificate through the PRA's online verification system.

Licensing bodies must ensure that the certificate details—such as legal name, business name, and type of service—match the applicant's information. No licenses or permissions should be granted without valid PRA registration. Any suspected cases of forgery or misrepresentation must be promptly reported to PRA.

To maintain transparency and compliance, all verified certificates and verification logs must be filed for future audits. Authorities are also directed to inform all prospective applicants about this mandatory requirement and guide them to register under Sections 25, 26, or 27 of the Act before applying.

A comprehensive list of taxable services is provided as Annex-B for classification purposes. For further assistance or queries, the notification includes the contact details of the designated PRA Focal Person.

For Details: [No. PRA/Misc.01/2024/795 dated 22-05-2025](#)

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SINDH REVENUE BOARD (SRB) SALES TAX RULES

1. SRB Notification No.SRB-OPS/T&P/24/2025

The SRB, on 9th May 2025, issued a notification (No.SRB-OPS/T&P/24/2025) to introduce the following further amendments to its notification No. SRB-OPS/T&P/31/2024 dated 5th July, 2024 as follows, with immediate effect:

- The entry "COMMISSIONER-IV" in column (1), "34C" in column (2), and its corresponding entry in column (3) shall be replaced with the following:

COMMISSIONER (IV)	34 C	(i) Following services provided or rendered in the civil division of Hyderabad: (a) Hotels, motels, guest houses, restaurants, marriage halls and lawns, caterers, clubs, race clubs, event management services and exhibition services (b) Beauty Parlors, Beauty Clinics, Sliming Clinics or Centers and Others, Healthcare, Gyms, Physical Fitness Centers, Body Massage Center and Pedicure Centers (c) Education services
		(ii) Education services provided or rendered in the civil division of Mirpurkhas and Shaheed Benazirabad.

- The entries "COMMISSIONER (HYDERABAD)" in column (1), "34A" and "34B" in column (2), and their corresponding entries in column (3) have been replaced with the following:

COMMISSIONER (HYDERABAD)	34 A	(i) Services Provided or rendered in, and withholding of Sindh Sales Tax by withholding agents based in, the civil division of Mirpurkhas except Education Services specified against UNIT-34C.
		(ii) All matters related to SWWF and SWPPF in the aforesaid civil jurisdiction.
	34 B	(i) Services Provided or rendered in, and withholding of Sindh Sales Tax by withholding agents based in, the civil division of Shaheed Benazirabad except Education Services specified against UNIT-34C.
		(ii) All matters related to SWWF and SWPPF in the aforesaid civil jurisdiction.

For Details: [No.SRB-OPS/T&P/24/2025 dated 09.05.2025](#)

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2. FBR Third Party Auditors Appointment

Following the earlier notification (C.No. 1 (10)S(HRD)/2016/Vol-I/52798-R dated 25.05.2025) on the Third-Party Auditors framework, FBR has issued Standard Operating Procedures (SOPs) that provide a uniform process for hiring and training third-party auditors under the IR Transformation Plan.

Standard Operating Procedures (SOPs)

- a. **Summary:** These SOPs establish a standardized process for onboarding and training of third-party auditors under the FBR Transformation Plan, aiming to ensure their smooth integration, readiness, and effective deployment to enhance FBR's audit capacity and quality.
- b. **Scope:** The SOPs applies to all field formations in the North, Central, and South regions where third-party auditors will be deployed during the initial recruitment phase.
- c. **Regional Deployment Summary - (Phase I):** FBR will deploy 520 Third-Party Auditors across three operational regions:
 - North Region: 120 auditors
 - Central Region: 135 auditors
 - South Region: 265 auditors
- d. **Evaluation Committees:** The regional Evaluation Committees will assess and finalize the suitability of shortlisted auditors. The evaluation may be done in person or virtually, based on feasibility. The constitution of each evaluation committees shall be as follows:

Position	Details	Appointment
Head of Committee	1 commissioner IR	To be nominated by CCIR as per Annexure-B
Members	2 additional commissioners IR	To be nominated by the respective head of Committee. Representation from field formations under their jurisdiction shall be ensured to the extent possible, as in Annexure-B .

The regional Evaluation Committees will have the following responsibilities:

- Conduct a structured assessment and evaluation of auditors referred by the HR firms.
- Evaluate candidates recommended by HR Firms to assess suitability for deployment.
- Submit final list of recommended auditors to FBR (HQ) for approval.

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- e. **Appointment of Focal Persons:** Each Chief Commissioner in the IR field formations must designate a Focal Person (minimum BS-19 rank) who reports directly to them and have the following key responsibilities:
- Maintain liaison with HR Firms, FBR headquarters, and Evaluation Committees.
 - Coordinate performance management matters between field officers and HR Firms.
 - Handle complete onboarding setup for new auditors (office space, IT equipment, supplies, admin support).
 - Ensure all auditors complete the mandatory 3-week online training program through IRS Academy, including arranging training logistics and monitoring attendance.
- f. **Onboarding Process:**
- HR firms will provide finalized lists of selected auditors by region to FBR headquarters
 - FBR headquarters will forward these lists to regional evaluation committees
 - Focal persons will receive immediate notification once SOPs are issued
- g. **Training Program designed by IRS Academy:** 3-week virtual/online training will be conducted from field formation conference rooms. Focal persons will maintain attendance and performance records, reporting any absentees or underperformers back to FBR headquarters for review and certification purposes.

Annexure – A

ALLOCATION OF 3RD PARTY AUDITORS IN FIELD FORMATIONS – 1st PHASE		
Region	Office	No. OF Auditors deployed in phase -1
North	RTO Peshawar	28
	RTO Islamabad	9
	RTO Rawalpindi	19
	CTO Islamabad	16
	LTO Islamabad	43
	RTO Abbottabad	5
	Total	120
Central	RTO Sargodha	5
	LTO Multan	15
	RTO Gujranwala	6
	RTO Lahore	5
	RTO Sialkot	6
	RTO Faisalabad	8
	CTO Lahore	29
	RTO Bahawalpur	5
	LTO Lahore	45
	RTO Sahiwal	5
	RTO Multan	6
	Total	135

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ALLOCATION OF 3RD PARTY AUDITORS IN FIELD FORMATIONS – 1st PHASE		
Region	Office	No. OF Auditors deployed in phase -1
South	RTO Karachi	20
	RTO Hyderabad	11
	RTO Sukkur	15
	LTO Karachi	99
	CTO Karachi	54
	MTO Karachi	34
	RTO Quetta	11
	RTO 1 Karachi	20
	Total	265
		520

Annexure – B

Region	Committee No.	Nominating Officer	Coverage	No. of Auditors
South	Committee 1	CCIR, LTO Karachi	LTO Karachi	99
	Committee 2	CCIR, CTO Karachi	CTO Karachi and MTO Karachi	89
	Committee 3	CCIR, RTO-I Karachi	RTO-I Karachi, RTO-II Karachi, RTO Hyderabad, RTO Sukkur and RTO Quetta	77
Central	Committee 4	CCIR, LTO Lahore	LTO Lahore, LTO Multan and CTO Lahore	89
	Committee 5	CCIR, RTO Lahore	RTO Lahore, RTO Sargodha, RTO Faisalabad, RTO Gujranwala, RTO Sialkot, RTO Bahawalpur, RTO Sahiwal and RTO Multan	46
North	Committee 6	CCIR, LTO Islamabad	LTO Islamabad and CTO Islamabad	59
	Committee 7	CCIR, RTO Peshawar	RTO Peshawar and RTO Abbottabad	33
	Committee 8	CCIR, RTO Rawalpindi	RTO Islamabad and RTO Rawalpindi	28

For details: [C.No. 1 \(10\)S\(HRD\)/2016/Vol-I/52798-R dated 25.05.2025](#)

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About Us

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Enfoque Consulting (Pvt.) Ltd.
144, First Floor, St. 82| FECHS, E-11/2
Islamabad 44000
Pakistan.
T +92 (0) 51 835 1551
enfoque.com.pk | info@enfoque.com.pk



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