

TAX INSIGHTS JANUARY 2026

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 Rule 81B (ATL) of Income Tax Rules, 2002

The Federal Board of Revenue (FBR), through S.R.O. 17(I)/2026, has finalised the following amendment to Rule 81B, sub-rule (9) of the Income Tax Rules, 2002.

“(9) In the case of a person on the active taxpayers’ list of the Azad Jammu and Kashmir Central Board of Revenue or Gilgit-Baltistan Council Board of Revenue, the name of such person shall be included in the active taxpayers’ list under section 181A of the Ordinance, if -

- a) his temporary or permanent address is in the Azad Jammu and Kashmir or, as the case may be, in the Gilgit-Baltistan; and
- b) his temporary and permanent addresses are in Pakistan, the following procedure shall be adopted, namely:-
 - (i) the Commissioner Inland Revenue, having jurisdiction over the case on the basis of his temporary address mentioned on the CNIC, shall verify the non-existence of any employment or business in Pakistan through IRIS after making inquiry and seeking undertaking from such person; and
 - (ii) the concerned Commissioner of Azad Jammu and Kashmir Central Board of Revenue or Gilgit-Baltistan Council Board of Revenue, as the case may be, shall verify the employment or sole business existence in the Azad Jammu and Kashmir or the Gilgit-Baltistan through IRIS:

TAX INSIGHTS JANUARY 2026

Provided that where the Commissioner Inland Revenue has any reason to believe that the person, whose name has been included under clause (a) or (b), is liable to file return of income under section 114 of the Ordinance and the person does not comply with the notice under sub-section (4) of section 114 of the Ordinance, his name shall be removed from the active taxpayers' list under section 181A of the Ordinance."

For Details: [S.R.O 17\(I\)/2026 dated 08.01.2026](#)

2. Amendment in Inland Revenue Reward Rules, 2021

The FBR through S.R.O. 89(I)/2026 has finalised the following amendment in rule 6, for clause (ii) of the Inland Revenue Reward Rules, 2021.

- " (ii) The amount of reward for meritorious services shall not be more than twenty-four salaries during the financial year in the case of each employee."

For Details: [S.R.O 89\(I\)/2026 dated 21.01.2026](#)

3. Decision of the Federal Constitutional Court on Super Tax

The Federal Constitutional Court of Pakistan (FCCP) has announced its decision on constitutional challenges related to Sections 4B (Super tax for rehabilitation of temporarily displaced persons) and 4C (Super Tax on High Earning Persons) of the Income Tax Ordinance, 2001. According to FCCP's short Order, these challenges have been dismissed, except for cases involving profits and gains of petroleum Exploration and Production (E&P) companies and certain persons exempt under section 53 read with the Second Schedule. A summary of the FCCP's order is provided below:

- Section 4B is upheld as intra vires the Constitution and will be effective from the 2015 tax year onwards, at the rates specified in Division IIA, Part I, First Schedule of the Income Tax Ordinance, 2001.
- Section 4C is also held to be intra vires the Constitution and shall apply as enacted for tax year 2022 and onwards at the rates prescribed in Division IIB, Part I, First Schedule, Income Tax Ordinance, 2001. The legislature has plenary power to enact laws with retrospective and prospective effect, subject to such laws not affecting past and closed transactions. There is no provision in the Ordinance 2001 whereby the closing of accounts of a tax year qualifies as an event precluding the imposition of a fresh charge where none existed before, particularly when returns of income for tax year 2022 were yet to be filed.
- Moreover, the classification of sectors through inclusion in the First Proviso to Division IIB and taxable under section 4C at the rate of 10% for the tax year 2022 is declared to be reasonable, the differentia being intelligible and is thus permissible under Article 25 of the Constitution.
- It is held that the definition of "income" for the purposes of section 4C, insofar as it includes income from all sources, is validly enacted.
- Section 4C, as it applies to capital gains under section 37A and the Rules of the Eighth Schedule, Income Tax Ordinance, 2001, is held to be applicable thereto, being within the ambit of section 4C(2)(i) and (iv), Income Tax Ordinance 2001
- Section 4B and Section 4C, by virtue of Rules 4AA and 4AB of the Fifth Schedule to the Income Tax Ordinance 2001, will apply only to the income arising to E&P companies if it does not result in exceeding the aggregate rate of taxes provided in the aforesaid Schedule and their respective PCAs.

TAX INSIGHTS JANUARY 2026

- g) Section 4C will otherwise apply to other income of E&P companies from all other sources which fall under sub-sections (i), (ii) and (iii) of sub-section (2) of section 4C. The respective Commissioner Inland Revenue shall first determine the E&P companies' liability, having regard to the foregoing, and issue a fresh notice affording them an opportunity of hearing before taking any measures for recovery.
- h) Section 4C shall not apply to E&P companies to the extent that its application would result in taxation exceeding the threshold stipulated in Rule 4 of the Fifth Schedule to the Ordinance.
- i) In the case of banking companies, section 4C, as enacted by the Finance Act, 2022, shall apply to banking companies for the tax year 2023 and onwards, at the rates applicable to the tax year 2023, as amended by the Finance Act 2023.
- j) Section 4C will not apply to certain income, especially benevolent funds that are tax-exempt under section 53 and the Second Schedule. Provident and benevolent funds with valid exemption certificates under the Ninth Schedule, along with relevant Second Schedule entries, are not subject to super tax under section 4C. These funds must submit their certificates to the Commissioners Inland Revenue within fifteen days of this order. The Commissioners will then issue written confirmation of exemption within seven days.

For Details: [Civil Appeal No. 1243 of 2020 \(Mr. Justice Amin-Ud-Din Khan\)](#)

TAX INSIGHTS JANUARY 2026

SALES TAX

1. Condonation of Time Limit Under Section 74 of the Sales Tax Act, 1990

The FBR through S.R.O. 14(I)/2026 has made the following amendment in S.R.O 1444 (I)/2024 dated 12.09.2024 related to Condonation of time limit:-

- In the aforesaid notification, in condition (e), for the words "three years", the words "two years" shall be substituted. The amendment curtails the power of the Commissioner to condone delays up to two years.

For Details: [S.R.O 14\(I\)/2026 dated 07.01.2026](#)
[S.R.O 1444\(I\)/2024 dated 12.09.2024](#)

2. Compliance Calendar Sales Tax – February 2026

S. No.	Compliance Activity	Due Date	Authority	For
1.	Payment of Sales for January 2026.	15.02.2026	FBR, PRA, SRB, KPRA, BRA	All registered persons
2.	Filing Monthly Sales Tax Return for January 2026.	18.02.2026	FBR, PRA, SRB, KPRA, BRA	All registered persons

TAX INSIGHTS JANUARY 2026

CUSTOMS

1. Methodology for Settlement of Classification Disputes

The FBR through Customs General Order No. 01 of 2026 has introduced the following amendments in Customs General Order No. 12 of 2002,

In the aforesaid order, in para 2,-

- (i) in sub-para (iii), for the sentence “The classification committee shall henceforth comprise of three members-Collector of Customs Appraisement (East), Collector Appraisement-West and Collector of Customs, SAPT, Karachi.” the sentence “The Classification Committee shall comprise of any three Collectors of the South region, as notified by the Chief Collector of Customs (Appraisement-South), under intimation to the Board, shall be substituted.
- (ii) in sub-para (vi), the expression “i.e. Collectors of Customs Appraisement-East/West and SAPT, Karachi” shall be omitted.

For Details: [No. 01 of 2026 dated 06.01.2026](#)

2. Amendment in Customs General Order, Assessment of Motor Vehicles

The FBR, through Customs General Order No. 02 of 2026, has introduced the following amendments in Customs General Order No. 14 of 2005 (Assessment of Motor Vehicles).

In the aforesaid Customs General Order, in paragraph 1,

- (i) in sub-para (i) and (iii), the words “or their authorized local agents” have been omitted; and
- (ii) in sub-para (ii), the words “or their authorized agents” have been omitted.

For Details: [No. 02 of 2026 dated 06.01.2026](#)

[No. 14 of 2005 dated 06.06.2005](#)

TAX INSIGHTS JANUARY 2026

PUNJAB SALES TAX

1. Mandatory Adoption of RAAST QR Code-Based Digital Payment Facility

The Punjab Revenue Authority (PRA), through Circular No. 1 of 2026, has directed restaurants, hotels, and beauty parlours operating in Punjab to adopt RAAST QR code-based digital payment facilities on a mandatory basis. Under this circular, the aforesaid service providers are required to:

- Obtain, within two weeks (14 days), a QR-code-enabled bank account from the State Bank of Pakistan;
- Ensure that the QR code payment facility is active and fully operational; and
- Display the QR code at a conspicuous place within the business premises to facilitate customer access.

For Details: [No. 1 of 2026 dated 23.01.2026](#)

TAX INSIGHTS JANUARY 2026

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