

# COMMENTS ON PROPOSED BUDGET

2026 - 2027



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# FINANCE BILL

2026–2027



This Budget Summary outlines the principal changes introduced through the Finance Bill, 2026 (the "Bill"), which was presented before the National Assembly on 12 June 2026.

The Bill includes the fiscal framework for the financial year 2026–2027, incorporating the government's economic priorities, strategic policy objectives, and development expenditure plans.

For greater clarity and accessibility, the summary has been presented in different categories, enabling stakeholders to easily navigate and understand the Bill's key proposals. These include adjustments in tax policy, expenditure allocations, and structural reforms across major sectors of the economy.

The following sections present a **category-wise** overview of the Bill's major proposals, accompanied by a broad-level analysis of their potential economic and fiscal implications.



# Relief Measures for Taxpayers



## Relief for Salaried Taxpayers

Welcoming amendment presented by government and proposes to reduce income tax rates for salaried individuals by revising the existing tax slabs. Higher slab rate has been increased from 4.5 million to Rs. 7 million and resultantly, effective tax rate would be decreased and reduce the overall tax burden over salaries class.

In addition, the 9% additional surcharge currently applicable for salary, above 10M, is also proposed to be abolished.

## Rationalize Super Tax Rate and Increasing Minimum Threshold

Super Tax has been abolished for persons having income up to Rs. 500 million. For income exceeding Rs. 500 million, the Super Tax rate has been reduced from 10% to 8%.

However, banking companies, petroleum & exploration (E&P) companies, and the fertilizer sector will continue paying Super Tax at flat rate of 10% where income exceeds Rs. 150 million.

## Relief on Transfer of Inherited Property

Currently, when a person inherits an immovable property, the cost of the property for tax purposes remains the same as it was in the hands of the deceased owner.

The Finance Bill proposes that the cost of inherited property for the beneficiary will be the fair market value (FMV) of the property at the time of the original owner's death. The Bill also including explanation that no gain would arise on the transfer of property to family members through inheritance.



# Relief Measures for Taxpayers

(Continued..)



## Abolishing Deemed Income on Property (7E)

Considering recent decision of the Federal Constitutional Court of Pakistan, the Bill has proposed to withdraw tax on deemed income on property under Section 7E.

## Reduction of Tax Rate on Transfer of Immovable Property – 236C and 236K

Presently, transfer of immovable property is subject to advance tax collection, for buyers as well as sellers, at varying rates. The Bill proposes to prescribe a uniform rate of tax withholding at 2.75% of consideration received for sellers and 1.25% of fair market value for buyers abolishing the concept of slab rates.

## Tax credit for integration

The Bill proposes a tax credit equal to 10% of the expenditure incurred on integration of system with the FBR's systems. The credit will be available against the taxpayer's normal tax liability.

## Reduction of Advance Tax on Exports

The Bill proposes to abolish the collection of advance tax on exports under Section 147 and increase the tax collected under Section 154 from 1% to 1.25%, which will continue to be treated as a minimum tax.

Currently, exporters are paying 2% advance tax on export and any difference between tax chargeable would become refund to the exporter. The Bill benefited exporter for payment advance tax 1.25% instead of 2%.

## Changes In Withholding Rate Of Service Providers

Section 153(1)(b), PART III, Division III of First Schedule

All other service providers not specifically mentioned, a tax deduction rate of 14% is proposed.



# Relief Measures for Taxpayers

(Continued..)



The Finance Bill proposes changes in tax deduction on service payments. For specified services, the tax deduction rate is proposed to increase from 6% to 7%.

For independent professionals such as doctors, lawyers, architects, accountants, software engineers, and software developers, the tax deduction is proposed to be 15%.

However, IT services will still be taxed at 4%, except where services are provided independently by software engineers or developers, in which case the tax rate will be 15%.

*The comparative position of the current and proposed withholding tax rates under Section 153(1)(b) of the Ordinance is presented in the table below:*

S. No.	Services	Current Rate of withholding tax	Proposed Rate of withholding tax
1	Specified Services	6.0%	7.0%
2	IT and IT enabled services	4.0%	4.0%
3	Independent professional Services	15.0%	15.0%
4	Electronic and Print media Advertising Services	1.5%	1.5%
5	Services other than specified above	15.0%	14.0%



# Financial Sector



## Tax on Payments by Life Insurance / Takaful Policy:

Life insurance and family takaful plans provide financial protection and long-term savings through regular premium payments. A significant portion of these plans represents an investment element, which is generally returned to the policyholder along with the associated profit upon cessation of policy.

Many insurers and takaful operators also allow partial or full withdrawals before the maturity of the policy. However, no withholding is applied on profit component as no specific withholding requirement for insurance companies like deduction by banking companies under Section 150.

The Finance Bill 2026–27 proposes the introduction of withholding tax on certain insurance and takaful payouts. The tax will apply only to the profit component of the payout and not to the principal amount invested.

- i. The payout is made due to death or disability; or
- ii. The policy remains in force for more than 7 years.

**The withholding tax rates proposed are as follow:**

- i. 15% on the profit portion where the payout is received within 1 year of policy/takaful issuance.
- ii. 10% on the profit portion where the payout is received after 1 year but before completion of 7 years.



# Financial Sector

(Continued..)



## Super Tax on Banking Companies

The Bill proposes to reduce the Super Tax rate from 10% to 8% and increase the income threshold from Rs. 150 million to Rs. 500 million for most sectors. However, banks, oil exploration and production (E&P) companies, and fertilizer businesses will continue to be subject to a flat 10% Super Tax on income exceeding Rs. 150 million.

Previously, Super Tax was charged at graduated rates ranging from 1% to 10% based on income levels. Overall, this is a welcome relief for most taxpayers. However, no relief has been provided to banks, which are already subject to a higher corporate tax rate of 43%.

## Reporting of Financial Transaction by Banking Companies

It was long outstanding dispute between banking companies and FBR for giving access to details of account holders due to leakage of information. The Bill proposes a new Section 165AB, requiring banks and Electronic Money Institutions (EMIs) to report transaction details to the FBR electronically for transaction above specified threshold.

The information will initially be processed through an automated system without direct access by tax officers. Only cases showing significant mismatches may be selected for further review through the National Faceless Centre.

The Bill also emphasizes that the information received from banks will remain confidential and may only be used in accordance with the provisions of the law.



# Financial Sector

(Continued..)



## Capital Gain Tax on Listed Securities

Various institution including NBFCs, modarabas and company having listed debt security are excluded from the collection tax on capital gain by NCCPL. The proposed amendment bringing these entities in this ambit and applying tax withholding in accordance with the NCCPL method.

The Bill also clarifies that NCCPL will not apply withholding on capital gain earned by banking, insurance companies, and mutual funds accordingly, these entities will discharge liabilities in accordance with specialized regulation/schedules. However, NCCPL shall compute capital gains of such entities.

## Withholding by Bank

- i. Banks and non-banking financial institutions (NBFIs) will be required to deduct withholding tax at the rate of 5% on amounts credited to bank accounts that represent income earned from social media and digital platforms, including YouTube, Facebook, Instagram, and TikTok.
- ii. The reduced rate of withholding on export of IT and IT-Enabled services i.e., 0.25% has been extended upto tax year 2029.
- iii. Advance tax collection on foreign remittances made through debit or credit has been proposed to reduce from 5% to 0.5%.
- iv. Capital gains on debt securities would now be subject to tax withholding at 20%. The tax will be deducted by the custodian of the debt securities, including banks maintaining Investor Portfolio Securities (IPS) Accounts, except where the disposal is made through a registered stock exchange and settled through NCCPL.



# Food and FMCGs Industries



## Minimum Tax for FMCG and Pharmaceutical Sector

Under Serial Nos. 24C and 24D of Part II of the Second Schedule, distributors, wholesalers, and retailers of certain goods, including FMCG and pharmaceutical products, currently enjoy reduced rates of withholding tax and minimum tax.

The Bill 2026 proposes a major change by withdrawing the reduced minimum tax rate for distributors of pharmaceutical products, FMCG, and cigarettes. As a result, distributors of FMCG and pharmaceutical products will become subject to the general minimum tax rate of 1.25% of turnover under section 113. However, the Bill retains a concessional regime for packaged foods and certain other specified items, although the minimum tax rate is proposed to increase from 0.25% to 0.5%.

The term “FMCG” remained disputed matter as some taxpayers arguing that products like tyres, lubricants, and other non-food items qualify as FMCG, while the tax authorities taken stance that the concession is available for perishable product. In this respect, varying judgment passed by apex courts. By specifically referring to packaged foods, the Bill appears to clarify the legislative intent and align with the tax authorities’ position about perishable product.

However, the exclusion of pharmaceutical products from the concessional minimum tax regime appears to be a significant change without an apparent policy justification.

## Various Foods Items – Third Schedule Regime

The Bill seeks to significantly enhance Third Schedule items and sales tax collection shall be made from manufacturer or importer of such items. Manufacturer / importer is liable to print retail price on its product. In case, importer does not indicate retail price then it would be worked at 130% of customs value with certain adjustments.

Following foods items are included in list of Third Schedule regime (if selling in retail packing):

- i. Vegetable and animal fats and oils;
- ii. Sugar confectionery products;
- iii. Pasta, spaghetti, macaroni, noodles etc;
- iv. Sauces, ketchup, mixed condiments etc;
- v. Fermented beverages;
- vi. Milk, fat-filled milk, infant food preparations, other milk-based products; and
- vii. Jams, fruit jellies, marmalades, other fruit and vegetable preparations etc.



# Cargo Industry



## Returns and Tax on Shipping Income by Authorized Shipping Agent

The Bill proposes amendments to Section 143 to formally recognize role of authorized shipping agents alongside the master of a ship for tax compliance.

### Key changes include:

- Authorized shipping agents is also held responsible return filing and discharge tax obligations relating to shipping income. No other person may file a separate return for the same vessel or voyage
- Only one return per vessel or voyage will be allowed, covering the total freight and all related amounts attributable to that voyage.
- The master of the ship and the authorized shipping agent will be jointly and severally liable for compliance with the provisions of the section.
- Clearance procedures will require not only payment of tax but also electronic confirmation of return filing and tax payment in the prescribed manner.

## Reduction Income Tax Withholding on Port and Terminal Services

The Bill proposes a reduced withholding tax rate of 12% under section 153(1)(b) for persons providing terminal or port services, compared to the general rate of 15%. This measure is intended to provide tax relief to businesses operating in this sector.

In accordance with Clause 42 of the Part-IV, Second Schedule, container, chemical and oil terminal is excluded from tax withholding on service. Whereas, the bulk terminal and similarly ports are subject to tax withholding upto 15%. The Bill aim to address concerned raised by bulk terminal and port now reducing income tax withholding by 3%.

## Sales Tax Exemption on Certain Items

The Bill proposes to provide following sales tax exemption for cargo industry

- i. Tankers, Dredgers, Offshore Platforms, Cargo Vessels and Floating Structures (subject to Ministry approval)
- ii. Import of machinery, equipment, raw materials, components and capital goods by Karachi Shipyard & Engineering Works Limited (KSEW)



# Automobile



## Sales Tax Exemption on CKD kits for Electric Vehicles

The Bill proposes to extend exemption for import of CKD kits by local manufacturer for following vehicles;

- i. Small cars;
- ii. SUV with 50Kwh battery or below and
- iii. Light commercial vehicles with 150 Kwh battery

## FED on imported electric vehicles

The Bill seeks to impose Federal Excise Duty (FED) at rates ranging from 30% to 40% on electric cars, electric SUVs, and electric pickup vehicles imported in completely built-up (CBU) condition for personal use, where the import value exceeds Rs. 20 million.

## Third Schedule Regime for Car Accessories

Various items for automobile is already covered under Third Schedule regime. Now the Bill also seeks to enhance this regime for car and automobile accessories sold in retail packing. In case, any such parts are imported and price is not printed then customs authority would work out retail price at 130% of customs value with certain adjustment.

## Special Excise Duty on imported vehicles

A new levy of Special Excise Duty (SED) has been imposed on imported motor cars, SUVs and other motor vehicles exceeding cylinder capacity of 2000c to be imposed at 40% or 41% depending on the cylinder capacity of the vehicle. However, this SED would not be applicable on passenger transport and electric vehicle.



# Taxpayer Friendly Environment



## Faceless Audit, Assessment and Appeal

The Bill proposes a Faceless Audit, Assessment, and Appeal Regime through the establishment of a National Faceless Centre (NFC) and the introduction of faceless jurisdiction, with the aim of reducing direct interaction between taxpayers and tax authorities.

Cases assigned through FBR-developed algorithms will fall under the exclusive jurisdiction of the NFC, while all other matters will remain with the existing Commissioner. Notices, submissions, and hearings will be conducted electronically, and the identities of the officers handling the proceedings will remain confidential. Appeals may also be processed through the faceless system however, also maintaining existing appellate rights and procedures.

This is a positive initiative that could enhance transparency, reduce delays, and lower compliance costs. However, its success will depend on commitment from legislature, adequate system support, and timely resolution of practical challenges.

## System-Based Tax Settlement (*Algorithmic Settlement Mechanism*)

The Bill proposes a new system based settlement mechanism, allowing the FBR to offer taxpayers a digital settlement option before an assessment or amended assessment is finalized.

- The FBR may generate a system-based settlement offer in IRIS.
- The offer will be based on factors such as the stage of proceedings, the taxpayer's compliance history, the nature of the discrepancy etc.
- If the taxpayer accepts the offer, they must accept it on IRIS, pay the settlement amount within 10 days. In case of income tax, a revised return shall also be filed within 10 days.
- Upon acceptance and revision of the return, the issues covered by the settlement offer will be considered resolved.
- The settlement will apply only to the issues covered by the offer and will not affect other issues or similar issue(s) for other tax years.



# Taxpayer Friendly Environment

(Continued..)



## Mitigate Undue Litigation Before Courts

The Bill proposes the establishment of an Independent Case Scrutiny Committee to review filing of reference before any High Court, Supreme Court of Pakistan or Federal Court of Constitution. No reference shall be filed without approval of aforesaid committee and it would comprise of

- i. retired judge (Chairman);
- ii. an experienced advocate; and
- iii. senior serving or retired FBR officer.

This proposal aims to ensure that only cases with sufficient legal merit are pursued before higher courts. Resultantly, precious time of courts and litigation cost of department as well as taxpayer would not be saved.



# Improving Tax Enforcement



## Sales Tax Suspension for Non-Integration of Invoicing System

Currently, suspension proceedings may be initiated against a taxpayer involved in tax fraud or the issuance of fake or flying invoices. The proposed amendment expands these grounds to include failure to integrate the taxpayer's invoicing system with the FBR, making such non-compliance a basis for suspension proceedings.

In recent time, the FBR has issued penalty notices to taxpayers for failing to integrate their invoicing systems. With the proposed amendment, introducing the possibility of suspension proceedings for such non-integration, taxpayers should give greater attention to ensuring timely compliance with these requirements.

## Disallowance for non-integration

5% of the total deductible expenditure claimed by a taxpayer will be disallowed where the taxpayer fails to install the electronic system or does not comply with integration requirements.

## Re-Audit or Re-Valuation of Stock / Actuarial Values

It is proposed that, during the audit proceedings, the Commissioner may direct taxpayer for getting accounts re-audited or revalued any stock or actual valuation where Commissioner is having certain concern. Prior to issuing direction, an opportunity would be given to taxpayer and further approval from Chief Commissioner would be required. While directing the re-audit or re-valuation, the Commissioner may require auditor or valuer address specific queries as well.

Proposed amendment provides broad and subjective grounds for such re-audit or re-valuation. The provision also does not appear to provide a specific remedy where a taxpayer disagrees with such directions. In practice, approvals from the Chief Commissioner are generally granted, as the office forms part of the same administrative framework. Accordingly, it may be beneficial to introduce clearer criteria for re-audit or re-valuation and an appropriate review mechanism to ensure transparency and fairness in the application of this provision.

Section 177 of the Ordinance provides that department shall provide audit observation then it will initiate amended assessment proceedings. However, no provision is currently available in Section 25 of the Act. Now, the Bill proposes to align sales tax audit proceeding with income tax and requiring officer to issue audit report prior to initiating assessment proceedings.



# Improving Tax Enforcement



## Rationalizing and Enhancing Penalty Provisions

During the current year, the tax authorities have increasingly enforced penalties for various compliance failures.

The Bill now proposes a significant increase in general penalties for late filing of income tax and sales tax returns, late payment of taxes, failure to produce records, non-integration with prescribed systems, and other compliance defaults. In certain cases, the proposed penalties are increased by up to five times the existing amounts.

## Submission of Machine-Readable Financial Statements

In case of companies for tax year 2026 and onwards, the financial statements accompanying the return shall only be filed in electronically readable file format.

## Submission of Machine-Readable Financial Statements

No minimum value addition tax (VAT) is payable for imports of raw material by manufacturers for their own consumption. Manufacturer would be liable to pay VAT alongwith default surcharge where it misuses this concession and selling such goods in the same condition.

Manufacturer may further be exposed to prosecution where such supplies exceed 50% of total imports in a year.

## Restoration to ATL - Section 182A

The Finance Bill proposes a major increase in the amount payable to restore a person's name to the Active Taxpayers' List (ATL). A comparison of the current and proposed charges is given below:

Taxpayer	Existing Surcharge	Proposed Surcharge	Increase
Company	20,000	100,000	80,000
Association of Persons	10,000	50,000	40,000
Individual	1,000	25,000	24,000



## Other Amendments in the Sales Tax Act



### Tier-I Retailer

Retailers that are classified as Tier-I retailers, only because they accept digital payments (such as credit/debit cards), is proposed to be excluded from Tier-I category.

A minimum turnover threshold of Rs. 200 million is proposed for wholesaler-cum-retailers and other retailers liable to advance income tax. Retailers below this threshold would not be treated as Tier-I retailers.

### Time of Supply

As per definition of “time of supply”, sales tax payment is triggered based on different scenarios which includes “goods are delivered or made available”. It is being clarified that goods will be considered delivered or made available once they are ready for dispatch from the supplier’s business premises.

In our view, this amendment may unnecessarily burdened taxpayers, as the sales tax will ultimately be received by exchequer sooner. It could also lead to disputes with tax authorities whether goods are ready for dispatch or not department may insist to pay tax on ready stock (i.e. finished goods) without considering term and conditions with relevant customer.

Generally, revenue is recorded in accounts when goods are delivered to the customer, taxing goods on “made available” basis, could create mismatches between accounting revenue and sales reported in sales tax returns.

### Value of Supply

FBR is authorized to fix value of any items for purpose of levying sales tax. Now, the Bill authorized FBR to use value provided by Pakistan Bureau of Statistics or outsource valuation function to third party in prescribed manner.



## Other Amendments in the Sales Tax Act

(Continued..)



### Minimum Sales Tax Payment Under Section 8B

Generally, taxpayers are required to pay 10% of output tax when having high input tax. It is proposed to empower the FBR to increase or reduce the minimum sales tax limit for any particular based on their level of compliance with prescribed digital systems, such as production monitoring, digital invoicing, e-Bilty, POS integration, and other electronic data integration systems.

This proposed amendment could have significant implications, as taxpayers may dispute allegations of non-compliance used to increase their minimum sales tax limit. The proposed provision does not specify the criteria or procedure for determining non-compliance, nor does it provide a clear mechanism for appeal. Additionally, the discretionary power to reduce the minimum sales tax limit may give rise to concerns regarding inconsistent treatment or preferential treatment of certain taxpayers.

### Debit and Credit Note

Taxpayer is allowed to raise credit / debit note where goods are returned or value of goods adjusted. However, practically portal only allows credit note (i.e. reversal of output tax) when respective buyer reports debit note (i.e. reversal of input tax) therefore, booking of credit note through integrated invoicing system is not relevant as it is not automatically reflected in return.

Now, FBR is authorized to mechanism for issuance of debit or credit note including its practical adjustment electronically i.e., apparently relates to adjustment in online portal.

### Invoicing Requirement

Taxpayers need to have making taxable supplies are required to issue serially numbered invoices. The proposed amendment clarifies that where a taxpayer makes both taxable and exempt supplies, all invoices should follow a single serial numbering sequence. This is a practical and logical change, as it eliminates the need to maintain separate invoice series for taxable and exempt supplies.



# Other Amendments in the Sales Tax Act

(Continued..)



## Third Schedule

In addition to items specified in food industries, following goods are also covered under Third Schedule regime and sales tax shall be paid at retail price:

<u>Household Consumer Goods</u>	<u>Cosmetics and Toiletries</u>
<ul style="list-style-type: none"> <li>i. Tableware, kitchenware, plastic furniture, storage products, and hygienic or toilet articles.</li> <li>ii. Trunks, suitcases, briefcases, bags, jewellery boxes, and similar containers etc.</li> <li>iii. Bathroom/washroom accessories, sanitaryware, taps, fittings, mixers, valves etc.</li> <li>iv. Crockery items etc.</li> <li>v. Household utensils and tableware, including stainless steel, aluminium, melamine, etc.</li> <li>vi. Toilet or facial tissue, towel or napkin, cellulose wadding, etc.</li> </ul>	<ul style="list-style-type: none"> <li>i. Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products, plant-growth regulators, disinfectants, and similar products put up for retail sale.</li> <li>i. Preparations for use on the hair,.</li> <li>i. Pre-shave, shaving, after-shave preparations, personal deodorants, bath preparations, depilatories, perfumery, cosmetic and toilet preparations, and room deodorisers.</li> </ul>
<b>Other</b>	
<ul style="list-style-type: none"> <li>i. Footwear of all types etc.</li> <li>i. Ceramic products, commodes, tiles, and allied ceramic sanitary products etc.</li> <li>i. Car and automobile accessories etc. Plates, sheets, films, foils, tapes, strips, and other flat plastic products, whether or not in rolls etc.</li> </ul>	



# Other Amendments in the Sales Tax Act

(Continued..)



## Sales Tax Exemptions

The Bill seeks to provide following exemption for following goods:

Automobile Sector	Health Care Product
Import of CKD kits for Electric Vehicles (extended for one year)	Contraceptives
Bullet-Proof Vehicles imported by Federal/Provincial Governments under approved security arrangements	Female Sanitary Pads / Tampons

Cargo Industry	Others
Tankers, Dredgers, Offshore Platforms, Cargo Vessels and Floating Structures (subject to Ministry approval)	Magazines
Import of machinery, equipment, raw materials, components and capital goods by Karachi Shipyard & Engineering Works Limited (KSEW)	Import of specialized machinery and equipment for existing refineries (subject to Ministry approval) Exemption on import/lease of aircraft and parts by Pakistan International Airline (PIA)



# Real Estate



In case of property transaction, every buyer and seller is required to pay advance on such sale or transfer. The Finance Bill proposes lower and fixed advance tax rates on property transactions. For property sellers, the advance tax rate under section 236C is proposed to be reduced to a flat 2.75% instead of the current 4.5% to 5.5%. Likewise, for property buyers, the tax under section 236K is proposed to be reduced to a fixed 1.25% instead of the current 1.5% to 2.5%, regardless of the property value. Comparative rates are provided hereunder:

### *Rate of Advance Tax on Sale or Transfer of Immovable property under section 236C*

Sr. No.	Gross amount of consideration received	Current Rate of Tax	Proposed Rate of Tax
1	Does not exceed Rs. 50 million	4.5%	2.75%
2	Exceeds Rs. 50 million but does not exceed Rs. 100 million	5%	
3	Exceeds Rs. 100 million	5.5%	

### *Rate of advance tax on purchase of immovable property under section 236K*

S. No.	Fair Market Value	Current Rate of Tax	Proposed Rate of Tax
1	Does not exceed Rs. 50 million	1.5%	1.25%
2	Exceeds Rs. 50 million but does not exceed Rs. 100 million	2%	
3	Exceeds Rs. 100 million	2.5%	



# Trader



## Fixed Tax Regime for Small Traders and Shopkeepers

Currently, Section 99B of the Income Tax Ordinance allows the Board, with approval from the concerned Minister, to introduce a simplified tax procedure for small traders and shopkeepers in specified cities or areas. This includes matters such as tax payment, return filing, and assessment.

Through the Finance Bill, it is now proposed to expand the Board's powers to also prescribe special procedure for **audit, tax rates, and fixed tax schemes** for small traders and shopkeepers, subject to the Minister's approval.

During the budget speech, Finance Minister has intended to promulgate a new simplified tax regime for small retailers, replacing the earlier Tajir Dost Scheme and advance tax mechanism.

**Key features of the proposed scheme include:**

- i. Applicable to retailers with annual turnover up to Rs. 200 million.
  - ii. Tax payable at 1% of annual turnover, subject to a minimum tax of Rs. 25,000.
  - iii. Withholding taxes deducted in the supply chain will be adjustable against the tax liability including tax deducted on e-commerce sales.
  - iv. Compliant retailers will generally be protected from routine audits.
  - v. Participating retailers will not be required to act as withholding agents.
  - vi. POS integration will not be mandatory for eligible retailers.
  - vii. Retailers opting for the scheme will receive a QR code identification plate to display at their business premises.
  - viii. A simplified one-page tax return will be introduced.
- The detailed procedures and implementation mechanism will be prescribed through rules and notifications after enactment of the Finance Bill.

## Enhancing Threshold for Treating an Individual Trader as Withholding Agent

The Bill proposes to increase the turnover threshold for traders from Rs. 100 million to Rs. 200 million under Clause (115) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.



# Trader

Continued



As a result, individual traders with turnover up to Rs. 200 million will continue to be exempt from withholding tax under section 153 as prescribed persons. The definition of “trader” under clause (28D) would remain unchanged.

## Tier-I Retailer

Retailers that are classified as Tier-I retailers, only because they accept digital payments (such as credit/debit cards), is proposed to be excluded from Tier-I category.

A minimum turnover threshold of Rs. 200 million is proposed for wholesaler-cum-retailers and other retailers liable to advance income tax. Retailers below this threshold would not be treated as Tier-I retailers.



# Salaried Class Individuals



The Bill proposes to reduce the tax rates applicable to salaried individuals. The comparative impact of the proposed changes vis-à-vis the existing tax rates is outlined below. Additionally, the surcharge under Section 4AB, previously applicable at the rate of 9% on income exceeding PKR 10 million in a tax year, has been omitted.

Taxable Income (Rs.)	Existing Rate of Tax	Proposed Rate of Tax
Upto 600,000	-	-
600,001 to 1,200,000	1% of the amount exceeding Rs. 600,000	1% of the amount exceeding Rs.600,000
1,200,001 to 2,200,000	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000
2,200,001 to 3,200,000	Rs. 116,000 + 23% of the amount exceeding Rs. 2,200,000	Rs. 116,000 + 20% of the amount exceeding Rs. 2,200,000
3,200,001 to 4,100,000	Rs. 346,000 + 30% of the amount exceeding Rs. 3,200,000	316,000 + 25% of the amount exceeding Rs. 3,200,000
4,100,001 to 5,600,000		Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000
5,600,001 to 7,000,000	Rs. 616,000 + 35% of the amount exceeding Rs. 4,100,000	Rs. 976,000 + 32% of the amount exceeding Rs. 5,600,000
7,000,001 and above		Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000



# Salaried Class Individuals

Continued



*An analysis of impact of above change in tax rates is given below:*

S. No.	Salary Income Per Month	Annual Income	Tax Year – 2026 (Existing Rate)	Tax Year – 2027 (Proposed Rate of Tax)	Difference (Including Surcharge)
			Tax Payable including Surcharge @ 9%	Tax Payable	
1	50,000	600,000	–	–	–
2	100,000	1,200,000	6,000	6,000	0
3	200,000	2,400,000	162,000	156,000	–6,000
4	300,000	3,600,000	466,000	416,000	–50,000
5	400,000	4,800,000	861,000	744,000	–117,000
6	500,000	6,000,000	1,281,000	1,104,000	–177,000
7	600,000	7,200,000	1,701,000	1,494,000	–207,000
8	700,000	8,400,000	2,121,000	1,914,000	–207,000
9	800,000	9,600,000	2,541,000	2,334,000	–207,000
10	900,000	10,800,000	3,227,490	2,754,000	–473,490
11	1,000,000	12,000,000	3,685,290	3,174,000	–511,290



SALMAN & RAHEEL CHARTERED ACCOUNTANTS

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This document is a general guide for the benefits of our clients and is available to other interested persons upon request. Detailed research or the exercise of professional judgment is required before taking specific decision therefore, you may contact our partners, especially our tax partner Mr. M Wajahat Ullah Siddiqui , regarding any tax and finance related matter. Contact details are provided hereunder:



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