



Tax Memorandum

TAX LAWS (AMENDMENT) BILL 2024

Preface

This tax memorandum summarizes crucial changes proposed in Income Tax, Sales Tax, and Federal Excise Duty Laws vide Tax Laws (Amendment) Bill 2024 which was tabled before the National Assembly on 17 December 2024.

The tax memorandum contains the comments, which represent our interpretation of the legislation. We, therefore, recommend that while considering their application to any particular case, reference be made to the specific wordings of the relevant statute(s).

The memorandum can also be accessed on our website www.mooreshekhamufti.com

18 December 2024

AMENDMENTS IN SALES TAX ACT, 1990

Adjustable Input Tax

A proviso has been introduced in Section 8B(4) of Sales Tax Act 1990 (the Act) whereby FBR has been empowered to use an automated data-based risk management system to:

- ✓ Limit input tax allowance,
- ✓ Defer certain input tax, or
- ✓ Set higher or lower limits on input tax adjustments.

Additionally, the bill provides that the registered person can contest any action taken under this sub-section by filing an application and supporting documents with the Commissioner IRS, who must decide such an application within 60 days.

Restrictions & Penalties for Un-organised Sectors

Section 14AC, 14AD and 14AE have been added in the Act. These amendments introduce strict measures for non-registration for unorganized businesses including but not limited to freezing bank accounts, barring property transfers and taking coercive actions against businesses. These measures will come into force on a date notified by FBR.

Appointment of Experts & Auditors

Section 32B has been added to the Act which empowers the FBR or Commissioner IRS to appoint experts and auditors to assist in audits, investigations, and other activities related to the Act.

Transactions not admissible

In terms of Section 73 of the Act, a registered person cannot claim input tax deductions (credit adjustments or input tax deductions) on taxable supplies made to an unregistered person, if the total value of those supplies exceeds a certain limit within a financial year or tax period. Now, an amendment has been introduced whereby the specific limit and the conditions for this rule will be determined by FBR through a Sales Tax General Order.

Islamabad Services Tax Law

Under the Islamabad Capital Territory (Tax on Services) Ordinance 2001 (ICT Ordinance), a proviso has been added that service providers listed in Table 1 or Table 2 of the Schedule must integrate their businesses with the Board's computerized system for real-time reporting of services provided by them.

FBR will specify the date and manner for the above through a General Order.

INCOME TAX ORDINANCE 2001

Restrictions & Penalties for Un-organised Sectors

New restrictions have been imposed through a newly introduced Section 114C of the Income Tax Ordinance 2001 (the Ordinance) for non-filers. These include ban on purchase of movable and immovable property, investments in securities and mutual funds, opening bank accounts and making cash withdrawals.

Exchange of Taxpayers Data between Banks & FBR

A new Section 175AA has been added in the Ordinance which allows exchange of taxpayers' information between FBR and banks.

Appointment of Experts & Auditors

Amendments have been made in Sections 216 & 222 of the Ordinance whereby FBR has been empowered to appoint contractual auditors.

FEDERAL EXCISE ACT, 2005

Power to Seize

The following changes have been made in Section 26 (1) of the Federal Excise Act 2005 (FED Act):

An amendment has been made to extend the powers of seizure where dutiable goods without affixing or affixing counterfeited tax stamps, banderoles, stickers, labels or barcodes are being manufactured or sold by the business. This is related to the requirement for monitoring or tracking by electronic or other means as specified under Section 45A of the FED Act.

Confiscation of Goods subject to FED

Amendments have been made in Section 27 to the FED Act whereby control over the monitoring and tracking of dutiable goods has been enhanced. The bill also provides further powers to government officers in cases of counterfeiting cases.



PRINCIPAL OFFICE

C-253, P.E.C.H.S., Block 6
Off Shahrah-e-Faisal
Karachi. Pakistan

P: + 92 21 34392484



LAHORE OFFICE

Office No. 613, 6th Floor
High Q Tower, Jail road
Lahore.

P: + 92 42 32335958



ISLAMABAD OFFICE

The Hive, 1st Floor,
Manzoor plaza, plot No.
14-E, Fazal-e-Haq road,
G-6/2, Blue Area,
Islamabad.