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**MAY 2025**

# TAX UPDATES

Income Tax | Sales Tax | Federal Excise

## TAX LAWS (AMENDMENT) ORDINANCE 2025

Through the Tax Laws (Amendment) Ordinance 2025, assented to by the President on May 2, 2025, the following amendments are made in Income Tax Ordinance, 2001 and Federal Excise Act, 2005:

### **Income Tax Ordinance, 2001**

#### **RECOVERY OF TAX OUT OF PROPERTY AND THROUGH ARREST OF TAXPAYER [SECTION 138]**

A new non-obstante clause (sub-section 3A) has been inserted under Section 138 of the Ordinance. This clause overrides all other provisions of law, rules, or judicial decisions. It provides that where a tax matter has been decided by a High Court or the Supreme Court of Pakistan, any tax payable in consequence of such decision shall become immediately payable, or must be paid within the time specified in the notice issued by the authority, notwithstanding any contrary timelines provided elsewhere.

#### **RECOVERY OF TAX FROM PERSONS HOLDING MONEY ON BEHALF OF A TAXPAYER [SECTION 140]**

Similar non-obstante clause inserted under Section 140(6A) of the Ordinance provides that any tax payable under an assessment order shall become immediately recoverable or recoverable within the time specified in the notice, regardless of any conflicting law, rule, or court decision, where the issue giving rise to the tax has been decided by the High Court or the Supreme Court of Pakistan.

#### **POSTING OF OFFICER OF INLAND REVENUE [SECTION 175C]**

The Board or Chief Commissioner now has the authority to depute Inland Revenue officers or other designated officials to monitor production, supply of goods, services provided, and unsold stock at any time, in accordance with the conditions they set. This is part of new monitoring measures for tax compliance. Similar provision already exists under the Sales Tax Act, 1990 and has now been introduced under the Ordinance.

### **OUR VIEW**

We understand that these provisions have been introduced for speedy tax recovery to meet unrealistic tax targets. A major concern is that these provisions may be applied retrospectively to restrict the relief already granted by superior courts in cases such as 4C, 7E, and CVT, where a recovery of 50% of the tax has been suspended by the courts.

Further, determining whether a particular issue giving rise to tax has already been conclusively decided by the Superior Courts may itself become contentious matter, thereby triggering fresh litigation.

While we support the robust enforcement of tax laws especially to counter persistent tax evasion in certain sectors, however, vesting unchecked discretionary powers to intercept business operations raises concerns about administrative overreach and potential harassment of taxpayers. Therefore, clear policy guidelines should be issued by the Board to ensure these powers are exercised in a structured, transparent and non-intrusive manner.

## TAX LAWS (AMENDMENT) ORDINANCE 2025

### Federal Excise Act, 2005

Scope of Power to Seize & Confiscation as provided under Sections 26 & 27 are extended to the goods which are found without affixing counterfeit tax stamps, bar codes, banderoles, stickers, labels or bar codes as required under Section 45A of the Federal Excise Act, 2005. For the aforesaid purpose, FBR may authorise through notification any officer or employee of Federal or Provincial Government to exercise the powers and perform the functions of Inland Revenue Officer.

## AMENDMENTS IN SALES TAX LAWS

### Fixation of Minimum Retail Price for Cement

Through SRO 746 dated 29 April 2025, FBR fixed the minimum retail price for charging sales tax under Section 3(2)(a) of the Act. Average national retail price of cement (weekly sensitive price indicator – SPI) published by Pakistan Bureau of Statistics [PBS] before 1<sup>st</sup> and 16<sup>th</sup> of every month will be considered as minimum retail price for fortnight starting on 1<sup>st</sup> and 16<sup>th</sup> of every month, respectively

Section 3(2)(a) stipulates that sales tax is required to charge on Retail Price i.e. fixed by manufacturer or importer in term of Section 2(27). Charging Section 3(2)(a) does not discuss the term ‘value’, therefore, the fixation of retail price in terms of Section 2(46) for charging sales tax under Section 3(2)(a) of the Act is not legally aligned.

### Extension in Time for Integration for Electronic Invoice

FBR issued Circular vide F.No. 1(141) ST-L&P/2025/55105-R dated 30 April 2025 whereby the dates for electronic integration as notified earlier through SRO 709(I)/2025 dated 22 April 2025 has been extended:

Registered Person(s)	Effective Date of Integration
Corporate Registered Persons	01 June 2025
Non-Corporate Registered Persons	01 July 2025

## AMENDMENT IN SALES TAX RULES 2006

The Federal Board of Revenue [FBR] issued Notification vide No. SRO 608(I)/2025 dated 17 April 2025 to amend Rule 11 & Rule 12 of Sales Tax Rules 2006 [Rules 2006]. The following amendments are introduced in Rules for Deregistration and Blacklisting & Suspension of Registration:

### De-registration [Rule 11]

- Legal cover for filing online application for de-registration is provided as FBR has already introduced application for de-registration in IRIS.
- Option available for de-registration of the registered person 'who ceases to remain registered' has been withdrawn
- Period of 90 days for passing order against the de-registration application has been reduced to 60 days.
- Restriction for filing on sales tax return by the registered person after de-registration application.
- During the pendency of de-registration application, such registered person will not be allowed to claim input tax adjustment or refund. Input tax adjustment or refund will also not be allowed to other registered person against invoices issued by the registered person who have filed application of de-registration.
- The process of de-registration will be completed upon submission of final return under Section 28 of the Sales Tax Act, 1990 which has been issued by the Commissioner after completion of audit or inquiry of such registered person within 90 days from date of application for de-registration.
- During the process of audit, such registered person will be allowed to apply for adjournment upto 90 days.

### Suspension [Rule 12]

Commissioner has power to suspend registration of taxpayer where circumstance exist as mentioned in Rule 12(a)(i) of the Rules. The scope of suspension has been extended to include the following criteria for suspension:

- Activity becomes 5 times more than sum of the capital and liabilities declared in the balance sheet
- Making more than 10% purchases from or making 10% supplies to other suspended person in the month of suspension. The said condition will not apply when supplier or buyer is suspended for reason of refusing access to the records or premises or value of supplies are less than Rs.50 Million.
- Non filing of sales tax returns for three consecutive months and null filing of sales tax returns for six consecutive months.
- Any reason specified by FBR.
- Period of suspension without notice has been reduced to three months from six months where a registered fails to file sales tax return.
- Time period of 30 days for revoking the suspension has been specified after receipt of reply from such suspended person.



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