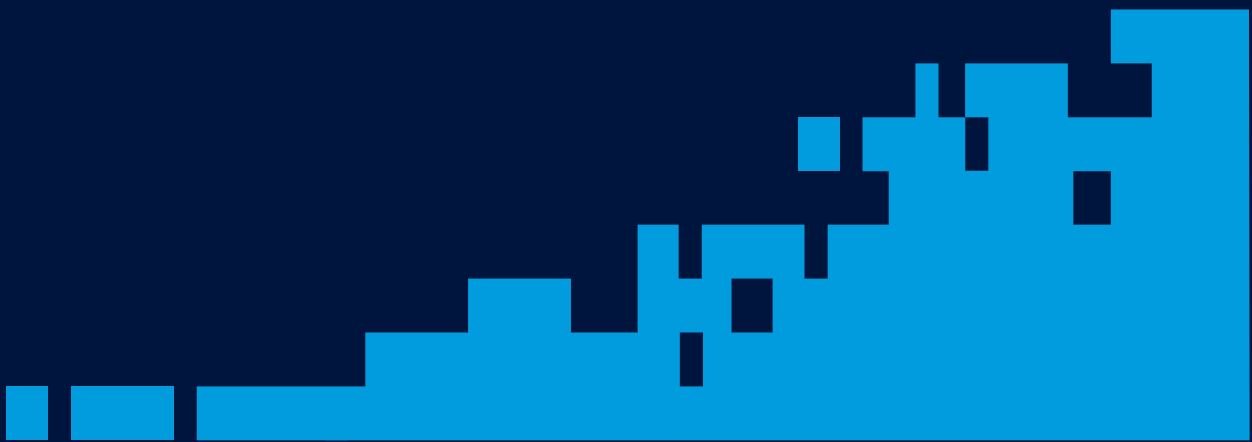


The Tax Laws (Amendment) Act, 2024

An Overview



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Introduction

A Bill was introduced in the National Assembly on December 18, 2024, to further amend certain tax laws through the proposed Tax Laws (Amendment) Act, 2024. The Bill aims to implement the Federal Government's proposals for enhancing tax compliance, ensuring taxes are levied based on income and consumption, and completing the value chain of businesses. Ultimately, this bill seeks to generate financial resources to fuel economic growth and development.



Income Tax Ordinance, 2001

SECTION 114C: Restrictions on economic transactions by certain persons

(New Insertion)

A new section 114C has been proposed to empower FBR to place restrictions on following transactions carried out by ineligible persons:

- Booking, purchase, or registration of motor vehicles;
- Registering, recording or attesting transfer of immovable properties above the values to be notified by FBR;
- Sell securities including debt securities, mutual funds, or the opening of accounts for such transactions; and
- Banking Company shall not
 - open or maintain an already opened current or saving or investor portfolio securities account, except Asaan account
 - allow withdrawal of cash, from any of the bank accounts, exceeding limits as prescribed by the FBR.

Ineligible persons are those who:

- failed to submit tax returns for tax year immediately preceding the year of transaction, or
- submitted tax returns for tax year immediately preceding the year of transaction but hasn't shown sufficient resources in the wealth statement (for individuals) and bank statements (for companies or AOPs) as the case may be for such transaction. The term sufficient resources mean:
 - For individuals: 130% of the cash and equivalent assets in the wealth statement,
 - For companies and AOP: 100% of cash and equivalent declared in the financial statements,

The following transactions are outside the ambit of this Section:

- purchase of rikshaws or motorcycle rikshaws or tractors.
- purchase of a pickup vehicle having engine capacity up to 800 CC;
- purchase of such motor vehicles other than those mentioned in clauses (a) and (b), trucks and buses subject to restrictions and limitations as may be notified by the Board from time to time;
- investment in securities up to such limit as may be notified by the Board from time to time;
- any ineligible person who after filing his return of income for the latest completed tax year, has filed sources of investment and expenditure statement: and
- transactions made by a non-resident person or a public company except for cash withdrawals exceeding the FBR-notified amount.

FBR to notify the effective date from which such restrictions will be imposed.

Aggrieved individuals may submit a statement of sources of investment or expenditure via the Board's web portal.

Definitions covered under this Section:

"Cash equivalent assets" shall be such assets as may be prescribed.

"Eligible person" shall mean a person, who has filed a return of income for the tax year immediately preceding the year of transaction mentioned in sub-section (1) and has sufficient resources in the wealth statement in case of an individual, or financial statement in case of a company or an association of persons, as the case may be, for such transaction:

Provided that in case of an individual, the eligible person shall include his immediate family members.

"Immediate family members", in respect of an individual, shall include his parents, spouse, son (below the age of twenty-five years), daughter (who is unmarried, or widowed, or divorced) or a special child who has a long-term physical, mental, intellectual or sensory impairment which in interaction with various barriers may hinder his full and effective participation in society on an equal basis with others;

"**Ineligible person**" shall mean a person who is not an eligible person;

"**Sources of investment and expenditure statement**" shall mean a declaration by a person filed on the Board's web portal, specifying the sources of funds for making such transaction; and

"**Sufficient resources**" shall mean one hundred and thirty percent of the cash and equivalent assets, declared by a person in his wealth statement filed for the latest tax year or in the case of a company or association of persons cash and equivalent assets, declared in the financial statements attached with the income tax return for the latest tax year."

SECTION 75AA: Exchange of banking & tax information related to high-risk persons

(New Insertion)

A new section 75AA is proposed to be introduced, which empowers the FBR to share information of income, turnover, taxable income and identification data such as account number in respect of persons or class of persons along with data-based algorithms with banks and the banks shall provide the FBR, the name and account numbers of the person where the data shared by the FBR is at variance with the data of the banks.

The information received under this section will only be used for tax and related purposes and will be kept confidential.

SECTION 216: Disclosure of information by a public servant

(New Clause Insertion)

Section 216(1) precludes the public servants from disclosing the data and sub section 3 provides some instances in which the disclosure of data is allowed. A new clause (ba) is proposed to be inserted in section 216(3) which means that the public servants will be able to share the information to an appointed auditor after a non-disclosure agreement is made with such auditor.

SECTION 222: Appointment of expert

(New Subsection Insertion)

Section 222(1) empowers the Commissioner to appoint an expert if it considers necessary including for the purpose of valuation or audit.

Now, a new subsection 2 is proposed to be introduced which empowers the Board to appoint as many auditors on contractual basis or through a third-party arrangement as it deems fit for carrying out the purposes of this Ordinance.

Sales Tax Act, 1990

SECTION 8B: Adjustable Input Tax

(New Clause Insertion)

Section 8B provides a limit of 90% of output tax for claiming the input tax with some exceptions. And subsection 4 gives FBR the power to prescribe the persons or class of persons for other limit of input tax adjustment.

Now, a new clause is proposed to be added in sub section 4, which gives FBR the power to use data based automated risk management system to defer the input tax adjustment, set higher or lower limits for input tax adjustment.

However, the registered person, who is affected with this, may file an application with the Commissioner with relevant documents against this action and the Commissioner shall decide the application within 60 days.

SECTION 14AC: Bar on Operation of Bank Accounts

(New Insertion)

A new section 14AC is proposed to be inserted, which empowers the Commissioner to direct in writing the banks and financial institutes to put a bar on the operation of banks accounts of a person who is required to get himself registered however fails to do so.

If a person gets itself registered, the Commissioner shall issue and convey the order of removal of bar within two working days.

However, an aggrieved person has an option file an appeal against the order of the Commissioner with the Chief Commissioner within 30 days of the order.

The provisions of this section will come into force on the date announced by the FBR through notification in the official Gazette.

SECTION 14AD: Bar on Transfer of Immovable Property

(New Insertion)

A new section 14AD is proposed to be inserted, which empowers the Commissioner to direct in writing registration authorities to put a bar on transfer of immovable property of a person who is required to get himself registered however fails to do so.

If a person gets itself registered, the Commissioner shall issue and convey the order of removal of bar within two working days.

However, an aggrieved person has an option file an appeal against the order of the Commissioner with the Chief Commissioner within 30 days of the order.

The provisions of this section will come into force on the date announced by the FBR through notification in the official Gazette.

SECTION 14AE: Other Coercive Actions

(New Insertion)

A new section 14AE is proposed to be inserted, which empowers the Chief Commissioner to i) seal the business premises ii) seize moveable property; or iii) appoint a receiver for the management of the taxable activity of a person who is required to get it registered with the FBR however fails to do so.

Action under this shall not be carried out, unless

- a public notice is issued specifying the date from which the premises shall be sealed, or movable property is attached, or a receiver is appointed for the management of the taxable activity.

- a committee comprising the Chief Commissioner, the Commissioner concerned, and a representative from the Chambers of Commerce or Trade Bodies, provides an opportunity of being heard to the person through an open court; and
- such decision is made public by placement on the Board's website and newspaper as well.

If a person gets itself registered, the Commissioner shall issue and convey the order of removal of bar within two working days.

However, an aggrieved person has an option to prefer representation against the order of the Chief Commissioner before the FBR within 30 days of the order.

The provisions of this section will come into force on the date announced by the FBR through notification in the official Gazette.

SECTION 32B: Appointment of experts and auditors

(New Insertion)

A new section 32B is proposed to be inserted which gives the Commissioner or FBR, the power to appoint experts or auditors if considered necessary including for the purposes of assistance in audit, investigation, litigation or valuation.

Other Laws

Islamabad Capital Territory (Tax on Services) Ordinance, 2001

SECTION 3: Scope of Tax

(New Proviso Inserted)

A new proviso is added to sub-section 1 requiring service providers to integrate their business systems with the FBR's computerized system for real-time reporting of services. It is mandatory on part of persons providing taxable services in Islamabad as listed in Tables 1 and 2 of the Schedule to the Islamabad Capital Territory (Sales Tax on Services) Ordinance, 2001 to comply with this requirement.

The FBR shall notify the timelines, mode and manner for integration through a General Order.

Federal Excise Act, 2005

SECTION 26 & 27: Confiscation of Dutiable Goods

Section 26 and sub-section (1) of Section 27 of the Federal Excise Act 2005 authorizes the FBR to seize the dutiable goods, if the excise duty is not paid on such dutiable goods. Now the FBR is proposed to seize these goods also in case if the dutiable goods are without affixing or affixing counterfeited tax stamps, banderoles, stickers, labels or barcodes, as required under section 45A for monitoring or tracking by electronic or other means.

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