PRAC
POLICY RESEARCH
& ADVISORY COUNCIL

KARACHI CHAMBER OF
COMMERCE & INDUSTRY

Federal Budget Commentary 2024-25

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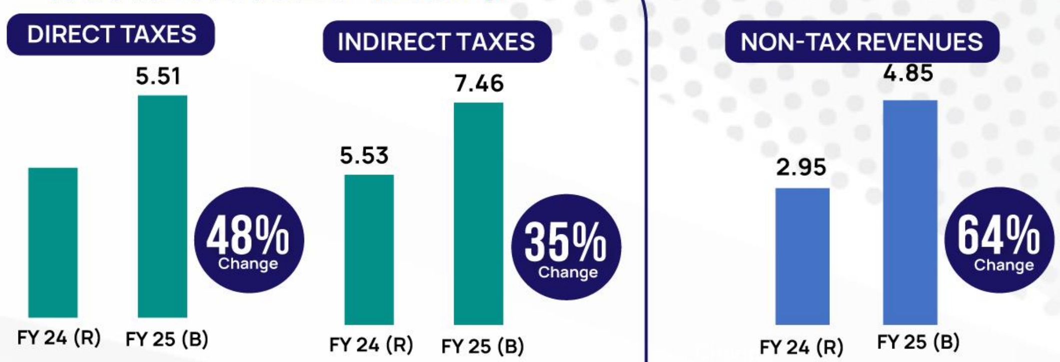
Federal Budget Commentary 2024-25

I. BUDGET AT A GLANCE

TOTAL BUDGET OUTLAY (PKR): 18.9 TRILLION

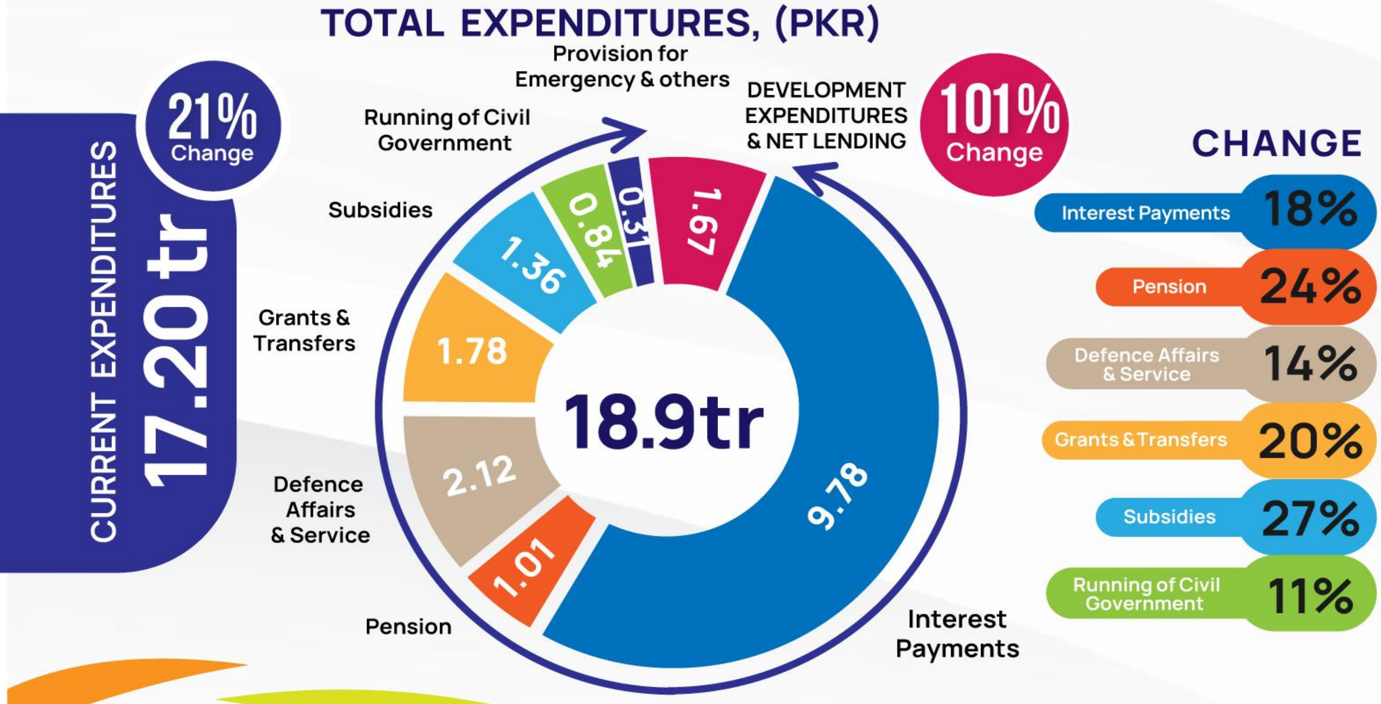
TOTAL REVENUES, (PKR) 17.8 TRILLION

TAX REVENUES: 12.97 tr



INCOME TAX: 5.45tr I SALES TAX : 4.92 tr I FED : 0.95 tr I CUSTOMS DUTIES : 1.59 tr

TOTAL EXPENDITURES, (PKR) 18.9 TRILLION



II. POSITIVE MEASURES

1. **Boost for the IT Sector.** Commendable measures for the IT sector have been announced. A record-high allocation of Rs. 79 billion has been made, marking the highest ever for this sector. Additionally, Rs. 8 billion has been allocated for the IT park in Karachi, and 11 billion for the Technology Park in Islamabad. Furthermore, plans include the establishment of the Digital Pakistan Authority. Allocations have also been made for universities and colleges in Islamabad, including NUST, NUML, NSU, and COMSATS.

2. **Capital Gains Tax on Immovable Properties:** The capital gains tax on immovable properties has been standardized; a 15% fixed rate for filers and up to 45% for non-filers across various slabs, irrespective of the holding period. A new 5% Federal Excise Duty (FED) will also be imposed on sales of new residential and commercial plots, aimed at reducing speculation and diminishing the size of the informal economy in the real estate sector.

3. **Measures to Attract Remittances:** To boost remittance inflows, Rs. 86.9 billion has been allocated for covering Transfer of Technology (TT) Charges, enhancing the Sohni Dharti scheme, and other related initiatives. Efforts to digitalize the emigration process, simplify immigration procedures, provide loans to emigrants, and introduce the 'Mohsin-e-Pakistan' award are designed to strengthen the remittance framework.

4. **Motor Vehicle Tax Reforms.** The budget introduces comprehensive changes to the taxation structure for motor vehicles. Every Motor Vehicle Registering Authority is mandated to collect Advance Tax at predetermined rates based on engine capacity, up to 2000 cc, and on the value for higher capacities. Enhanced rates apply to vehicles over 3000 cc, peaking at 12%. Additionally, the tax rate for locally manufactured hybrid electric vehicles has been aligned to the standard 18%, and tax concessions for imported electric and hybrid vehicles over USD 50,000 have been phased out. These measures promote tax equity, ensuring luxury vehicle owners contribute appropriately, positively impacting the economy, and fostering fairer tax practices.

III. NEGATIVE MEASURES

1. **Shift from Final to Normal Tax Regime.** The proposed shift from a 1% turnover-based FTR to the standard taxation at 29% of taxable profit would prove to be disastrous for exports. Historically, the FTR has offered a transparent mechanism for taxing export proceeds, and its removal may result in exporters being subjected to the super tax, which was previously not applicable under the FTR. It must be removed from Finance Bill 2024.

2. **Removal of Local Supplies from the EFS.** The Finance Bill 2024's proposal to eliminate zero-rating on local supplies under the Export Facilitation Scheme (EFS) will have significant adverse effects. Removal of zero-rating on local supplies to registered exporters will compel the exporters to claim refunds of Sales Tax from FBR which is a lengthy process which is contrary to the spirit of EFS.

3. **Modification in Definition of Fraud.** The definition of fraud has been changed, enabling the officials to seek records of up to 15 years to prove innocence in case of any allegation of fraud, which is yet another way to grant discretionary power to FBR, taxpayers have been maintaining records for a maximum period of 6 years so they will not be in a position to produce records older than 6 years. The new definition of fraud, which was yet another form of discretionary power, should be withdrawn and the officers should only be allowed to seek explanation or take any action strictly as per the previous definition.

4. **Tax Rate for Non-Salaried Individuals.** For non-salaried individuals and AOPs, the maximum rate has been enhanced from 35% to 45%. The decision to raise the tax rate up to 45 percent would encourage a substantial number of individuals and AOPs to exit from the tax net. The current threshold of Rs.600,000 has largely affected non-salaried classes such as small shopkeepers, traders and SMEs forcing them to become non-filers. threshold of taxable income should be raised from Rs.600,000 to income exceeding Rs.1.0 million, in view of high inflation and increase in cost of living. In addition, the tax rate for salaried individuals remains capped at 35% which introduces a horizontal inequity, as it places a disproportionate tax burden on non-salaried individuals compared to their salaried counterparts.

5. **Increased FED on Cement.** The increase in FED from Rs. 2 per kg to Rs. 3 per kg on cement is likely to negatively impact the growth of the construction industry, which is already facing multiple challenges. This increase will lead to higher construction costs, affecting both commercial and residential developments.

III. NEGATIVE MEASURES

6. **Investigative Audits.** A newly added concept of 'Investigative Audit' under Section 25 of the Sales Tax Act, 1990 mentioned a general concept of investigation and inquiry related to audits. Now, FBR will have the authority to conduct investigative audits if, based on the balance of probabilities, it suspects a taxpayer of being involved in tax fraud. The investigative audit can be initiated even with the approval of the assistant commissioner. Even unintentional omission or error will be subject to fraud, proven otherwise.

7. **No Cut in Government Expenditures.** Budgetary measures lack government plans for bringing down the exorbitantly high government expenditures which were being financed through borrowings from domestic banks, creating an unbearable burden of interest payments of trillions of rupees against the domestic debt, particularly in a situation when the key interest rate stood at 22.5 percent.

8. **Lack of Supportive Measures for Businesses.** No concrete relief measures have been provided to businesses, such as super tax reductions, minimum turnover tax adjustments, or further tax reductions. These factors contribute to the overall cost of doing business and have a dampening effect on investment.

9. **Unrealistic Revenue Targets.** The shortfall in last year's tax collections by Rs. 2,152.5 billion casts doubt on the feasibility of achieving a 40% increase in the tax target for FY25. This goal seems overly ambitious, especially in the absence of significant tax or energy reforms.

10. **High Proportion of Budget Allocated to Debt Servicing.** Debt servicing is projected to consume 94.2% of the net federal revenues for the upcoming year, implying that virtually all other government expenditures, including defense, pensions, and civil administration, will likely need to be financed through increased borrowing, predominantly from external sources. The current volume of domestic debt has reached an alarming level of 85 percent from commercial bank which has made it impossible for SMEs to avail business financing from banks.

11. **Selective Removal of Exemptions of FATA/PATA.** Despite longstanding demand, the Finance Bill's selective removal of tax exemptions for only a few products in FATA/PATA regions perpetuates market disparities by still exempting items like black tea. This approach favors certain areas and industries, undermines full integration into the national tax framework, and restricts crucial revenue generation, thereby hindering equitable national development.

III. NEGATIVE MEASURES

12. **Surge in PDL.** A 33% hike in the Petroleum Development Levy (PDL) from Rs. 60 to Rs. 80, along with increases in other levies, is expected to intensify inflationary pressures. This reliance on indirect taxation can reduce savings rates, deter investment, and dampen economic activity overall.

Sr. No	Petroleum products	Unit	Minimum petroleum levy rate (in rupees per unit)	Maximum petroleum levy rate (in rupees per unit)
1.	High speed diesel oil (HSDO) Litre	Litre	60	80
2.	Motor gasoline	Litre	60	80
3.	Superior kerosene oil (SKO)	Litre	50	50
4.	Light diesel Oil (LDO)	Litre	50	75
5.	High octane blending component (HOBC)	Litre	50	75
6.	E-10 gasoline	Litre	50	75
7.	Liquefied petroleum gas (produced / extracted in Pakistan)	Metric Ton	30,000	30,000

13. **Proposed GST on Essential Food Items.** The government has proposed imposing an 18 percent General Sales Tax on milk (PCT heading 04.01) and fat-filled milk (PCT heading 1901.9090) in the Federal Budget 2024-25 which are currently zero-rated. The proposed bill seeks to eliminate this zero-rating benefit, making these goods subject to an 18% sales tax. However, milk not sold under a brand name will be exempt from this tax. As milk is a basic consumable item, removing exemptions and imposing an 18% GST is expected to further fuel inflation

14. **Capital Gain Tax on Securities.** Capital gains tax on securities will be 15% for filers, while non-filers will be subjected to taxes up to 45% under different slabs, irrespective of the holding period. The withdrawal of the holding period for the levy of Capital Gains Tax will be detrimental to the capital market, which saw the revival of foreign portfolio investment.

15. **Import Duties on Paper Products.** The increase in import duties on paper products will likely further burden the local printing industry, which is already unable to meet demand with domestic production. This could lead to higher costs for consumers and continued reliance on imported printed materials.

16. **Shift of Local Mobile Phone Assembling from Reduced Rates to Standard GST.** The removal of fixed sales tax on locally assembled mobile phones, replaced by a standard 18% tax, would negatively impact the nascent local mobile phone industry, affecting its growth and competitiveness.

III. NEGATIVE MEASURES

17. **Removal of Surgical and Medical Equipment from the 6th Schedule.** Surgical instruments, tools, equipment, and medications required in Cardiac surgery, Neurovascular Electrophysiology, and Angioplasty etc. (Serial No.112 of the 6t Schedule of Sales Tax Act) have been omitted from the 6th Schedule and added to the 5th Schedule. Consequently, the said surgical instruments and tools will be subject to standard rates of Customs Duty, Sales Tax, and WHT making the surgical treatment very costly for average citizens.

18. **Removal of Medical Supplies to Charitable Hospitals from the 6th Schedule.** Goods used in medical treatment supplied to charitable hospitals (S.No.166 of 6th Schedule) have also been removed from the scope of the 6th Schedule and added to the 5th schedule which will make the essential medical supplies very costly for charitable hospitals that are serving the poor patients and working for a noble cause. While the government hospitals are unable to provide essential medical services to a population of 240 million, at least the charitable hospitals are providing much-needed treatment to the poor.

19. **Concession on Sales Tax on Imported Waste & Scrap of Plastics.** the Finance Bill 2024 proposes to include Waste and Scrap of Plastics into the 11th Schedule thus giving concession in Sales Tax on imported garbage. While the provincial governments of Punjab and Sindh have announced restrictions on the production of Plastics bags of a specified thickness in order to protect the environment and clogging drainage and other environmental issues but on the other hand, the Finance Bill 2024 has allowed the massive influx of Plastic Waste.

20. **Increased GST on Tier-I Textile & Leather Retailers.** Elevating the General Sales Tax from 15% to 18% for Tier-I retailers in the textile and leather sectors could exacerbate existing industry struggles, particularly as the textile sector has already seen a contraction of -8.3%. This could lead to increased inflation and reduced competitiveness in domestic and international markets.

21. **Removal of Vegetable Imports from 6th Schedule.** Vegetable imports from Afghanistan out from the 6th schedule which needs to be reversed as sometimes both countries face shortage of numerous commodities including tomatoes, potatoes and onions etc.in their markets which are imported from Afghanistan and also exported from Pakistan. Removing vegetables from the sales tax regime means that the prices will increase by 20 to 30 percent. As these were very sensitive consumer items, therefore, vegetables should be reversed back to 6th Schedule

III. NEGATIVE MEASURES

22. **Increased WHT for Retailers & Wholesalers.** Increasing the advance withholding tax rate from 1% to 2.25% for retailers and wholesalers will heighten compliance costs, particularly for small businesses that operate informally. This might lead to increased product prices and decreased competitiveness against non-registered entities.

23. **Withholding Sales Tax on Key Raw Materials.** The imposition of withholding sales tax on scraps of copper, coal, and plastic will adversely hit the industry. Raw materials must not be subjected to such taxes.

24. **Withdrawal of Zero-Rating and Concessions:** The withdrawal of zero-rating, exemptions, and concessions on various items and industries would adversely impact the economy and businessmen. Without proper consultation with industry stakeholders, such policy changes may not address specific sectoral needs, potentially leading to unintended economic disruptions and hardships for businesses and consumers alike.

25. **Ineffective Austerity Measures.** The government's failure to implement effective austerity measures is evident in the substantial growth of expenditures, particularly in critical areas like pensions and the running of civil government. Pensions have surged by 24%, marking the highest growth rate after subsidies (27%), while civil government expenditures increased by 11% from last year's revised estimates. Additionally, defense expenditures have risen by 14% this year. This trend suggests a lack of fiscal discipline and prioritization, potentially endangering long-term fiscal sustainability.

26. **Disproportionate Impact on Lower-Income Salaried Individuals (Vertical Inequity).** The tax structure appears to disproportionately impact lower-income salaried individuals, who may experience higher relative increases in taxation. Moreover, the tax exemption threshold has remained unchanged at Rs. 600,000 despite significant inflation over recent years, which fails to reflect the current economic conditions and erodes real income levels.

27. **Imposition of FED on Sugar.** The Finance Bill 2024 proposes the imposition of a non-refundable excise tax on sugar by amending Section 3 of the First Schedule of the Federal Excise Act, 2005. The imposition of a Rs. 15/kg non-refundable excise tax on sugar, applicable only if sold to manufacturers, puts compliant manufacturers at a disadvantage while benefiting non-compliant entities. The excise tax on sugar should either be made refundable or applied uniformly across all buyers to ensure fairness and compliance.

IV. KEY AMENDMENTS
INCOME TAX ACT, 2001

A. Salaried Individuals (First Schedule, Part I Division I):

S. No	Taxable Income	Proposed Rates (FY25)
1.	Up to. Rs. 600,000	0%
2.	Exceeding Rs. 600,000 up to 1,200,000	5% of the amount exceeding Rs. 600,000
3.	Exceeding Rs. 1,200,000 up to Rs. 2,200,000	Rs. 30,000 + 15% of the amount exceeding Rs. 1,200,000
4.	Exceeding Rs. 2,200,000 up to Rs. 3,200,000	Rs. 180,000 + 25% of the amount exceeding Rs. 2,200,000
5.	Exceeding Rs. 3,200,000 up to Rs. 4,100,000	Rs. 430,000 + 30% of the amount exceeding Rs. 3,200,000
6.	Exceeding Rs. 4,100,000	Rs. 700,000 + 35% of the amount exceeding Rs. 4,100,000";

B. Non-Salaried Individuals/ AOPs (First Schedule, Part I Division I):

S. No	Taxable Income	Proposed Rates (FY25)
1.	Upto Rs. 600,000	0%
2.	Exceeding Rs. 600,000 up to Rs. 1,200,000	15% of the amount exceeding Rs. 600,000
3.	Exceeding Rs 1,200,000 up to 1,600,000	Rs. 90,000 + 20% of the amount exceeding Rs. 1,200,000
4.	Exceeding Rs. 1,600,000 up to Rs. 3,200,000	Rs. 170,000 + 30% of the amount exceeding Rs. 1,600,000
5.	Exceeding Rs. 3,200,000 up to Rs. 5,600,000	Rs. 650,000 + 40% of the amount exceeding Rs. 3,200,000
6.	Exceeding Rs. 5,600,000	Rs. 1,610,000 + 45% of the amount exceeding Rs. 5,600,000

IV. KEY AMENDMENTS
INCOME TAX ORDINANCE, 2001

C. Advance Tax on Sale or Transfer of Immoveable Property (Section 236C/ Division X): The rate was previously fixed at 3%, but it has now been structured into different slabs.

S. No.	Gross consideration received	Tax Rates		
		Persons appearing in ATL	Persons appearing in ATL who filed returns after due date	Persons not appearing in ATL
1.	Exceeds Rs. 50 million	3%	6%	10% of the gross amount of consideration received
2.	Exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%	7%	
3.	Exceeds Rs. 100 million	4%	8%	

D. Advance Tax on Purchase of Immoveable Property (Section 236C/ Division XVIII): The rate was previously fixed at 3%, but it has now been structured into different slabs.

S. No.	Gross consideration received	Tax Rates		
		Persons appearing in ATL	Persons appearing in ATL who filed returns after due date	Persons not appearing in ATL
1.	Exceeds Rs. 50 million	3%	6%	12%
2.	Exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%	7%	16%
3.	Exceeds Rs. 100 million	4%	8%	20%

E. Increase in tax on capital gains: It is proposed to enhance the withholding tax on capital gains from Mutual Funds or REIT Schemes as detailed below:

Category	Existing Rates (FY24)	Proposed Rates (FY25)
Individual and AOP	10% for stock funds 10% for other funds	15% for stock funds 15% for other funds
Company	0% for stock funds 25% for other funds	15% for stock funds 25% for other funds

IV. KEY AMENDMENTS
INCOME TAX ACT, 2001

F. Tax Rates on Disposal of Securities (Section 37A): The current tax rates on capital gains from the sale of listed shares and other securities are determined based on the holding period.

For securities acquired on or after July 1, 2024	
Category	**Proposed Rate (FY25)**
Persons appearing on ATL on the date of acquisition and disposal securities	Flat rate of 15%
Persons not appearing on ATL on the date of acquisition and disposal securities	For Individuals and AOPs: Higher of 15% or slab rates as specified in Division I of Part I to the First Schedule For Company: Corporate Rate of tax as specified in Division II of Part I to the First Schedule
For securities acquired between July 1, 2022 and June 30, 2024	
Holding Period	**Proposed Rate (FY25)**
Less than 1 year	15 %
From 1 year to 2 years	12.5%
From 2 years to 3 years	10%
From 3 years to 4 years	7.5%
From 4 years to 5 years	5%
From 5 years to 6 years	2.5%
More than 6 years	0%

IV. KEY AMENDMENTS

SALES TAX ACT, 1990

A. Fifth Schedule: Pertaining to Section 4 (Zero RATING), following items have been proposed to be excluded from the list given under Fifth Schedule.

S. No.	Description
12	Following goods & raw materials, packing materials, sub-components, components, sub-assemblies & assemblies imported or purchased locally for the manufacture of: (i) Preparations suitable for infants, put up for retail sale [not exceeding rupees [six] hundred per two hundred grams] (PCT Heading 1901.1000) (ii) Colors in sets (PCT heading 3213.1000). (iii) Writing, drawing and marking inks (PCT heading. 3215.9010 and 3215.9090) (iv) Erasers (PCT heading 4016.9210 and 4016.9290) (v) Exercise books (PCT heading 4820.2000) (vi) Pencil sharpeners (PCT heading 8214.1000) (vii) [other drawing, marking out/ (geometry box (PCT heading 9017.2000) (viii) Pens, ball pens, markers and porous tipped pens (PCT heading 96.08) (ix) Pencils including color pencils (PCT heading 96.09)
16	Milk (PCT heading 04.01)
17	Fat filled milk (PCT heading 1901.9090)
21	Local supplies of commodities, raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme 2021

B. Sixth Schedule: Pertaining to Section 13 (Exemptions), sales tax exemption presently available in respect of import and supply of following goods is proposed to be withdrawn

S. No.	Description
	Table I (Exemptions on Import & Local Supplies)
13	Edible vegetables (imported from Afghanistan) including roots and tubers, [except ware potato and onions], whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned
15	Fruit imported from Afghanistan excluding apples PCT 0808.1000
32	Newsprint and books but excluding brochures, leaflets and directories
112	Cardiology/cardiac surgery, neurovascular, electrophysiology, endosurgery, endoscopy, oncology, urology, gynaecology, disposables and other equipment
120	Diagnostic kits or equipment,
166	Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more
170	Tractor 8701.9220 and 8701.9320
174	Machinery and equipment as listed at serial number 32 of Table of Part-I of 5th Schedule to Customs Act, 1969, subject to the conditions, limitations & restrictions

IV. KEY AMENDMENTS

SALES TAX ACT, 1990

The following items have been included in Table I & II of this Schedule, which will be subject to exemptions:

S. No.	Description
Table I (Exemptions on Import & Local Supplies)	
175	Import of all goods received, in the event of a natural disaster or other catastrophe, as gifts and relief consignments or any goods received as gift or donation from a foreign government or organization by the Federal or 9908(i) and 9911.”. 76 Provincial Governments or any public sector organization.
176	Import or supply of Oil products: (i) MS (Petrol) (HS Code: 2710.1210) (ii) High Speed Diesel Oil (HS Code:2710.1931) (iii) Kerosene (HS Code: 2710.1911) (iv) Light Diesel Oil (HS Code: 2710.1921)
Table II (Exemptions on Local Supplies Only)	
56	Milk excluding that sold under a brand name (HS Code: 04.01)
57	Iron and steel scarp (HS Code: 7204.4100 7204.3000 7204.4990)

C. Eighth Schedule: Whereas the rates of the following have been revised upwards in the Schedule:

S. No.	Description	Existing Rate (FY24)	Proposed Rate (FY25)
77	personal computers and Laptop computers, notebooks whether or not incorporating multimedia kit (If imported in CBU condition)	5%	10%

Following items have been excluded from the Eighth schedule which will now be subject to 18% of tax rate.

S. No.	Description	Existing Rate (FY24)	Proposed Rate (FY25)
58	LPG (HS Code: 2711.1910)	10%	18%
66	Supplies as made from retail outlets as are integrated with Board’s computerized system for real-time reporting of sales	15%	18%
73	Locally manufactured Hybrid electric vehicles: (a) Upto 1800 cc (b) From 1801 cc to 2500 cc		
	(a) Upto 1800 cc (HS Code: 87.03)	8.5%.	18%
	(b) From 1801 cc to 2500 cc (HS Code: 87.03)	12.75%	

IV. KEY AMENDMENTS

SALES TAX ACT, 1990

Following new items have been included in the Eight Schedule (and are now subject to taxes) which were previously exempted under the Sixth Schedule.

S. No.	Description	Existing Rate (FY24)	Proposed Rate (FY25)
84	Colors in sets (Poster colors) (HS Code: 3213.1000)	Tax Exempted	10%
	Writing, drawing and making inks (HS Codes 3215.9010 & 3215.9090)		
	Erasers (HS Codes: 4016.9210 & 4016.9290)		
	Exercise books (HS Code: 4820.2000)		
	Pencil sharpeners (HS Code: 8214.1000)		
	Other drawing and geometry box (HS Code: 9017.2000)		
	Pens, ball pens, markers and porous tipped pens] (HS Code: 96.08)		
	Pencils including color pencils (HS Code: 96.09)		
85 & 86	Following activities within Tribal Areas: (i) Supplies intended for consumption (ii) Importation of plant, machinery, and equipment designated for installation. (iii) Importation of industrial inputs by industries (iv) Provision of electricity to all residential and commercial consumers (v) Provision of electricity to industries located in tribal areas, except for steel and ghee or cooking oil industries, that were established and commenced industrial production before March 31, 2018.	Tax Exempted	(i) 6% till 30th June 2025 (ii) 12% from 1st July 2025 till 30th June 2026
87	Oil cake and other solid residues (HS Code:2306.1000)	Tax Exempted	10%
88	Tractors (HS Codes: 8701.9220 and 8701.9320)		
89	Local Supply of Vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers.		
90	Local Supply of Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal (HS Codes: 2306.3000, 2306.4900)		
91	Newsprint, books but excluding brochures, leaflets and directories		

IV. KEY AMENDMENTS

SALES TAX ACT, 1990

Pharma Products: Under Serial No. 81 of the Eighth Schedule: most medicaments classified under Chapter 30 of the First Schedule to the Customs Act, 1969, namely, filled infusion solution bags (with or without infusion sets); scrubs, detergents, and washing preparations; soft soap or no soap; adhesive plaster; surgical tapes; liquid paraffin; disinfectants; and cosmetics and toilet preparations, are currently subject to a reduced sales tax rate of 1%. However, the Finance Bill 2024 proposes to reverse this reduction, reinstating the standard sales tax rate of 18%.

D. Ninth Schedule: Through the Bill, rate of sales tax on supply of cellular mobile phones or satellite phones is proposed to be enhanced. Details regarding existing and proposed rates are tabulated below:

Description/Specification of Goods	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs)	Sales tax on import in CKD/SKD condition	Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4)
Existing Rates (FY24)			
A. Not exceeding US$ 30 (excluding smart phones)	Rs. 130	Rs. 10	Rs. 10
B. Not exceeding US$ 30 (smart phones)	Rs. 200	Rs. 10	Rs. 10
C. Exceeding US$ 30 but not exceeding US$ 100	Rs. 200	Rs. 10	Rs. 10
D. Exceeding US$ 100 but not exceeding US$ 200	Rs. 1,680	Rs. 10	Rs. 10
E. Exceeding US$ 200 but not exceeding US$ 350	18% ad valorem	Rs. 1,740	Rs. 10
F. Exceeding US$ 350 but not exceeding US$ 500	18% ad valorem	Rs. 5,400	Rs. 10
G. Exceeding US$ 500	25% ad valorem	Rs. 9,270	Rs. 10
Proposed Rates (FY25)			
A. Not exceeding US$ 500	18% ad valorem	18% ad valorem	18% ad valorem
B. Exceeding US$ 500	25% ad valorem	18% ad valorem	18% ad valorem

IV. KEY AMENDMENTS

SALES TAX ACT, 1990

E. Eleventh Schedule: Rate of sales tax to be withheld by the registered manufacturer of lead batteries buying lead/ scrap batteries has been proposed to be enhanced from 75% to 80%. Further, it has been proposed that sales tax is withheld in respect of following items at 80% of applicable sales tax

Withholding agent	Supplier Category
Registered persons manufacturing cement	Persons supplying any kind of gypsum under Chapter 25 or limestone flux under chapter 25
Registered Persons	Persons supplying any kind of coal under Chapter 27
Registered Persons	Persons supplying any kind of waste of paper and paper board
Registered Persons	Persons supplying any kind of plastic waste
Registered persons	Persons supplying crush stone and silica

Currently, sales tax withholding is not applicable on supplies made by an active taxpayer, as defined in the Act, except for advertisement services. The Bill proposes extending sales tax withholding to the following supplies/services from active taxpayers to other registered persons:

1. Advertisement services
2. Supply of lead or scrap batteries to manufacturers of lead batteries
3. Supply of any kind of gypsum to cement manufacturers
4. Supply of coal
5. Supply of waste paper and paperboard
6. Supply of any kind of plastic waste
7. Supply of crushed stone and silica

IV. KEY AMENDMENTS
CUSTOMS ACT, 1969

A. First Schedule: Following revisions have been proposed:

Chapter	Description	Existing Customs Duty (%) for FY24	Proposed Customs Duty (%) for FY25
27	High speed diesel oil (HS Code: 2710.1931)	11%	0%
27	Natural gas (HS Code: 2711.1100)	11%	0%
73	Containers for aerosol products (HS Code: 7311.0040)	11%	16%
84	Other parts of Submersible pumps having diameters other than 5 to 10 inches(HS Code: 8413.7019)	3%	0%
90	Glass tubes for the collection & transport of blood (HS Code: 9018.3981)	0%	20%
90	PET tubes for the collection and transport of blood (HS Code: 9018.3982)	0%	20%

B. Fifth Schedule: Following have been removed from this schedule

S. No.	Description	Existing Customs Duty (%) for FY24	Conditions
Part-III: Table			
4	Fresh and Dry Fruits except apples from Afghanistan (HS Code: 08.00)	Concessionary Rate: 10%	of Afghanistan origin and imported from Afghanistan
6	Wheat (HS Code:10.01)	0%	-
11	Cane Sugar (HS Code: 1701.1390 1701.1400)	0%	If imported by private sector
12	Beet Sugar (HS Code: 1701.1200)	0%	If imported by private sector
13	White crystalline cane sugar (HS Code: 1701.9910)	0%	-
14	White crystalline beet sugar (HS Code: 1701.9920)	0%	-
Part-V (A): Table I ([For 2-3 Wheelers, 4-Wheelers & Heavy Commercial Vehicles (CBUs)])			
7	Electric Vehicles 4- wheelers (HS Code: 8703.8090)	Concessionary Rate: 25%	The concession shall be admissible w.e.f. 1st July, 2022 till 30th June 2026

IV. KEY AMENDMENTS
CUSTOMS ACT, 1969

Fifth Schedule: Following new items have been included in the Schedule which will be subject to Zero CD. However, the exemptions are subjected to certain conditions including quota determination by the Input Output Co-efficient Organization.

S. No.	Description	Proposed Customs Duty (FY25	Conditions
Part-I			
1	Machinery, equipment, capital goods, and materials for setting up, modernization, replacement or expansion for hatcheries, farms, feed mills and seafood processing units of fish and shrimp sector.	0%,3%, 5%	(i) Imports by registered fish/shrimp facilities and seafood processors under the Sales Tax Act, certified by Ministry of NFSR. (ii) The Ministry will provide online certification to Customs using designated credentials under Section 155D of the Customs Act,
2	Raw materials for the manufacture of PV Modules	0%	If imported by local assemblers/ manufacturers registered under the Sales Tax Act, 1990, PV Modules are subject to IOCO quota
3	Parts of Solar Inverters		
4	Parts of Lithium Batteries		
5	Following machinery and equipment imported by manufacturing units	0%	(i) If certified by EDB (ii) The goods must not be sold or disposed of without prior FBR approval and payment of applicable customs duties and taxes as prescribed by the FBR.
	(a) Solar Cell		
	(b) Solar PV Modules Panels		
	(c) Solar Inverters		
	(d) Lithium ion batteries		
Part-II: Table C (Drugs)			
41	Bovine Lipid Extract Surfactant (HS Code: 3004.3900)	0%	-
Part-III: Table			
1	Live stock if imported for research purpose	0%	by registered units under Sales Tax Act, certified by Ministry of NFSR
Part-VII: Table A (Miscellaneous)			
2	Live (baby /brood stock) fish & shrimp/prawns for breeding & production in commercial farms & hatcheries (HS Code: 301.9100, 0301.9300, 0301.9900, 0306.3600)	0%	

IV. KEY AMENDMENTS
CUSTOMS ACT, 1969

Withdrawal of Concessions on CD: It is proposed to withdraw exemptions from customs duty and implement concessionary rates on the import of the following goods:

S. No.	Description	Existing Customs Duty (%) for FY24	Proposed Customs Duty (%) for FY25
1	Bare Metal Clad Printed Circuit Board (MCPCB) (HS Code: 8534.0000)	0%	11%
2	Glass board for manufacturing TV panels (LCD, LED, OLED, HDI etc.) (HS Code: 8529.9090)	0%	10%

The concession on customs duty for imported hybrid vehicles is also proposed to be withdrawn

C. Regulatory Duties (RD): Following amendments are proposed in current Regulatory Duties

1. Increase/Levy of RD on the following:
    - Flat rolled products of iron and non-alloy steel
    - Certain items used in local manufacturing
2. Withdrawal of Exemption of RD on the Import of:
    - Ground nuts and margarine imported by food confectionary
    - Sliver cans and lollipop sticks
3. Rationalization of RD on the Import of New and Used Vehicles
4. Continuation of RD on the Import of Chloroparaffins Liquid

D. Additional Customs Duty:

1. An additional customs duty is proposed on localized auto parts to stimulate the local manufacturing sector.
2. An exemption from additional customs duty is proposed for the import of raw materials such as fluids and powders used in hemodialyzers.

IV. KEY AMENDMENTS
FEDERAL EXCISE ACT, 2005

A. First Schedule: Following new items have been inserted in the First Schedule

S. No.	Description	Existing Duty (FY 24)	Proposed Duty (FY 25)
Table I: Excisable Goods			
8a	E-liquids by whatsoever name called, for electric cigarette kits.	Rupees ten [thousand per kg]	Rupees ten [thousand per kg]. or sixty five percent of retail price whichever is higher
13	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers	[Rs. 2] per kg	[Rs. 3] per kg
56	Filter rod for cigarettes	[Rs. 1500 per kg]	[Ra. 80,000 per kg]

Following revisions have been proposed in the First Schedule

S. No.	Description	HS CODE	Proposed Duty (FY25)
Table I: Excisable Goods			
7a	Acetate tow	Respective heading	Rs. 44,000 per kg
8d	Nicotine pouches	Respective heading	Rs. 1,200 per kg
63	Allotment or transfer of commercial property and first allotment or transfer of residential property in such mode and manner and subject to such conditions and restriction as may be prescribed by the Board.	Respective heading	5%

IV. KEY AMENDMENTS
FEDERAL EXCISE ACT, 2005

Following thresholds in the retail prices of cigarettes manufactured in Pakistan have been proposed for FY25:

S. No.	Rates of Duty	Previous Threshold / Description (FY24)	Proposed Threshold / Description (FY25)
Table I: Excisable Goods			
9	Rupees [sixteen thousand five hundred] per thousand cigarettes	Locally produced cigarettes if their on-pack printed retail price exceeds [nine thousand] rupees per thousand cigarettes.	Locally produced cigarettes if their on-pack printed retail price exceeds [twelve thousand] rupees per thousand cigarettes.
10	Rupees [five thousand and fifty] per thousand cigarettes]	Locally produced cigarettes if their on-pack printed retail price does not exceed [nine thousand] per thousand cigarettes.	Locally produced cigarettes if their on-pack printed retail price does not exceed [twelve thousand and five hundred] per thousand cigarettes.

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