



# RAFIQ ASSOCIATES

TAX, ACCOUNTS & AUDIT | CONSULTANT

**Our belief is that** tax advice should be accessible, accurate, and tailored to your needs. Rafiq Associates provides expertise in Taxation, Accountancy & Internal Audit consultancy services tailored to individuals and businesses of all sizes.

## TAX NEWS LETTER

**JULY-2025**



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## Significant amendments in Income Tax Ordinance 2001

### 500k MT sugar import: FBR exempts customs duty, reduces sales tax from 18% to 0.25%

The Federal Board of Revenue (FBR) has announced vide SRO 1216/ 2025 In exercise of the powers conferred by sub-section (2) of section 53 of the Income Tax Ordinance, 2001 (XLIX of 2001). the Federal Government is pleased to direct that the following further amendment shall be made in the Second Schedule to the said Ordinance, namely, In the aforesaid Schedule, in Part II. after omitted clause (9AC). the following new clause shall be added, namely: -

(9AD). Pursuant to the Cabinet Decision in Case No. 432/Rule19/2025/615 dated 04.07.2025, the withholding tax under section 148 shall be collected at the rate of 0.25% of the value of commercial import of white crystalline sugar up to live hundred thousand metric ton in aggregate subject to the following conditions, namely;

(i) Import of sugar shall be carried out by Commerce Division through Trading Corporation of Pakistan (TCP) or private sector subject to conditions, limitations and quota allotments for immediate and subsequent requirements during the specified period;

(ii) the Commerce Division shall ensure quality assurance of the imported sugar through an international inspection firm; and

the cut-off date for import of sugar to avail exemption under this notification shall be the 30<sup>th</sup> day of September. 2025

### Digital proceeds tax to not apply on foreign goods and services ordered online

The Federal Board of Revenue (FBR) has announced vide SRO 1366(I)1202 in exercise of the powers conferred by section 15

of the Digital Proceeds Tax Act, 2025. the Federal Government is pleased to direct that the Digital Proceed Tax shall not apply to digitally ordered goods and services supplied from outside Pakistan, by any person, which are chargeable to tax under the said Act.







## **FBR introduces new simplified electronic income tax return form for the Tax Year 2025**

The Federal Board of Revenue proposes vide SRO 1212(I)/2025 dated 7<sup>th</sup> Jul-25 to make in exercise of the powers conferred by under sub-section (1) of section 237 of the Income Tax Ordinance, 2001 (XLIX of 2001), is hereby published for information of all persons likely to be affected thereby and, as required by sub-section (3) of the said section 237, notice is hereby given that objections or suggestions thereon, if any, may be sent for the consideration of the Federal Board of Revenue within seven days of publication of the draft in the official Gazette. Objections or suggestions which may be received in respect of the said draft, before the expiry of the aforesaid period, shall be taken into consideration by the Federal Board of Revenue.

In the aforesaid Rules, in the Second Schedule, after Part-II-ZA, the new Part-II-ZA shall be added, containing the draft Simplified Electronic Income Tax Return Form for Tax Year 2025.


## **FBR introduces new 25-page electronic income tax return form for individuals for the Tax Year 2025**

The Federal Board of Revenue proposes vide SRO 1213(I)/2025 dated 7<sup>th</sup> Jul-25 to make in exercise of the powers conferred by under sub-section (l) of section 237 of the Income Tax Ordinance, 2001 (XLIX of 2001), is hereby published for information of all persons likely to be affected thereby and, as required by sub-section (3) of the said section 237, notice is hereby given that objections or suggestions thereon, if any, may be sent for the consideration of the Federal Board of Revenue within seven days of publication of the draft in the official Gazette.

Objections or suggestions which may be received in respect of the said draft, before the expiry of the aforesaid period, shall be taken into consideration by the Federal Board of Revenue.

In the aforesaid Rules, in the Second Schedule, after Part-II-ZA, the new Part-II-ZB shall be added, containing the draft Simplified Electronic Income Tax Return (Individuals) Form for Tax Year 2025.





# *The Sales Tax Act, 1990*

## Significant amendments in Sales Tax Act 1990

### **Cigarettes without FBR tax stamps to be seized across country**

The Federal Board of Revenue (FBR) has granted authority to provincial revenue and excise officers, who are not below Grade 16, to confiscate cigarette products that are discovered lacking valid or authentic tax stamps throughout the nation.

The action is taken under a newly established Statutory Regulatory Order (SRO 1279 of 2025), which was issued subsequent to the implementation of the Finance Act 2025. This order provides enhanced enforcement authority to officials of the Inland Revenue Service (IRS) and appointed provincial representatives, aiming to intensify efforts against the sale and distribution of untaxed tobacco products.

The SRO indicates that, in the exercise of the authority Issued by sub-section (4) of section 27 of the Federal Excise Act, 2005, the following officials are authorized to exercise the powers and carry out the functions of the officers of Inland Revenue as stipulated in section 26 and sub-section (1) of section 27 of the aforementioned Act, under the conditions outlined below, concerning cigarettes in retail outlets, warehouses, and motor vehicles on public roads, specifically:

A. Deputy Commissioner, Additional Deputy Commissioner, Assistant Commissioner, General Assistant Revenue, or any equivalent title within the respective provincial hierarchy of the Revenue Departments; and

B. Excise and Taxation Officer, Assistant Excise and Taxation Officer, or any officer of Excise and Taxation holding a position not below BS-16.

Further insight, please review SRO 1279 (I)/2025.

### **FBR exempts customs duty, reduces sales tax from 18% to 0.25% on import of Sugar Import**

The S.R.O. 1217(I)/2025 reduced the rate of sales tax from 18% to 0.25% and exempt the minimum value added tax (VAI) at the rate of 3%, as specified under the Twelfth Schedule to the Sales Tax Act. 1990 on import and subsequent supply of white crystalline sugar up to 500,000 metric tons by the TCP or private sector subject to the above-mentioned conditions. Pursuant to the Cabinet Decision, the withholding tax under section 148 shall be collected at the rate of 0.25% of the value of commercial import of while crystalline sugar up to 500,000 metric ton in aggregate subject to the following conditions:

- 1.The import of sugar shall be carried out by Commerce Division through Trading Corporation of Pakistan or private sector subject to conditions, limitations and quota allotments for immediate and subsequent requirements during the specified period.
- 2.The Commerce Division shall ensure quality assurance of the imported sugar through an international inspection firm; and
- 3.The cut-off date for import of sugar to avail exemption under this notification shall be September 30, 2025.

The S.R.O. 1217(I)/2025 reduced the rate of sales tax from 18% to 0.25% and exempt the minimum value added tax (VAI) at the rate of 3%, as specified under the Twelfth Schedule to the Sales Tax Act. 1990 on import and subsequent supply of white crystalline sugar up to 500,000 metric tons by the TCP or private sector subject to the above-mentioned conditions.

Further insight, please review SRO 1217(I)/2025.



## Case LAW

### Supreme Court declares FBR's same-day tax recovery notices unlawful August

The Supreme Court of Pakistan has ruled that the Federal Board of Revenue (FBR) violated legal and constitutional principles by issuing tax recovery notices without granting taxpayer's adequate time.

In a significant judgment authored by Justice Ayesha Malik and backed by a three-member bench led by Justice Athar Minallah, the court dismissed FBR's intra-court appeals and annulled two major recovery notices – one worth Rs 2.92 billion and another of Rs 1.88 billion – issued to private companies. In both cases, the tax authorities-initiated recovery proceedings on the same day the appeals were filed and decided.

The Supreme Court upheld the original ruling by a single High Court judge, emphasizing that immediate recovery orders under Section 140 of the Income Tax Ordinance contradict legislative intent. The judgment clarified that taxpayers must be given a “reasonable time” after an appeal decision, and same-day demands violate this requirement.

## Further Information

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