



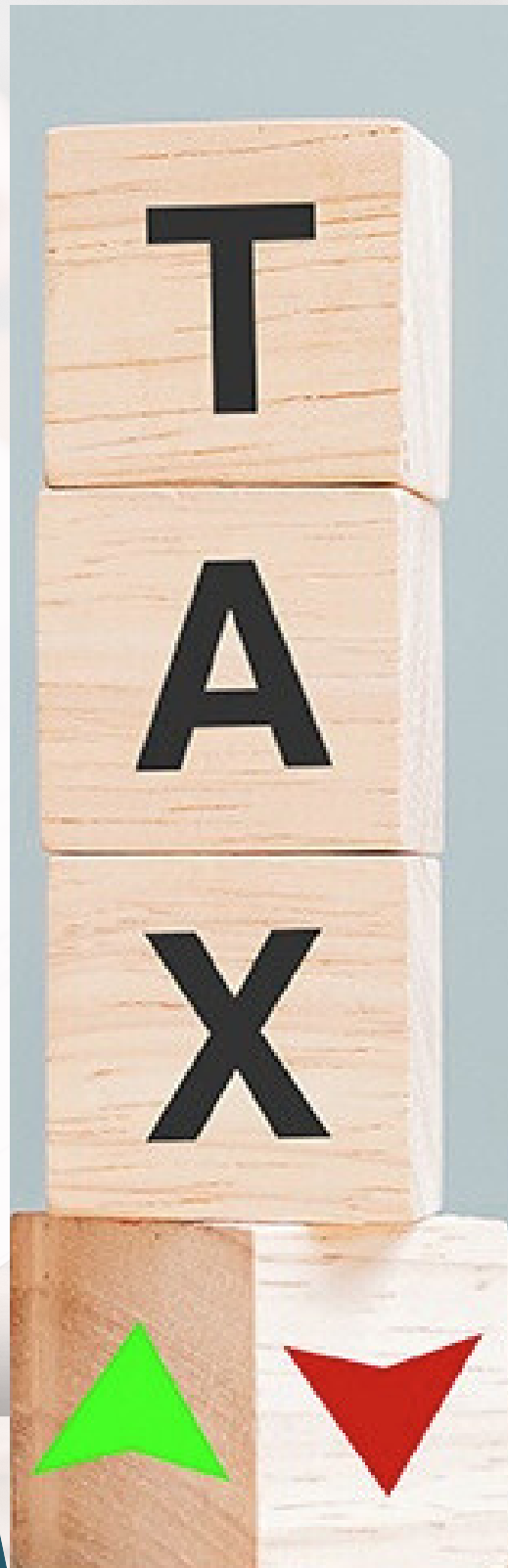
RAFIQ ASSOCIATES

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

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Dear Friends,

Assalam-o-alaikum,

We hope this monthly issue finds you in good spirits and excellent health! In this edition, we would like to apprise you of the key information included in this document.

The newsletter contains detailed insights into important Notifications and Circulars issued by the Federal Board of Revenue (FBR). Looking ahead, we plan to further expand the scope of this newsletter by sharing important updates on SECP regulations and Provincial Sales Tax developments — helping you stay informed, compliant, and ahead of the curve.

Significant amendments in Income Tax Ordinance 2001

Draft amendment regarding submission of in respect of Statement to be furnished by Online Marketplace under rule 38A of the Income Tax Rules, 2002

The Federal Board of Revenue (FBR) has mandated that couriers and payment intermediaries, who are tasked with collecting or deducting withholding tax, submit a quarterly statement on a compulsory basis.

Through SRO.1634(I)/2025 dated 27th Aug-25, issued on Wednesday, the FBR introduced draft amendments to the Income Tax Rules, 2002.

In accordance with the newly established regulations, as specified in sub-section (2) of section 165 and sub-section (1) of section 165C, any courier or payment intermediary tasked with the collection or deduction of tax under Division II or Division III of Part V of Chapter X of the Ordinance, or under Chapter XII of the Ordinance, is required to submit or electronically file a quarterly statement as detailed in Part X of the Second Schedule to the regulations. The filing deadlines are as follows:

For the quarter ending March 31: on or before April 20th
For the quarter ending June 30: on or before July 20th
For the quarter ending September 30: on or before October 20th
For the quarter ending December 31: on or before January 20th

Furthermore, where an online marketplace is also providing courier services, it must additionally file the statements

required under sub-rule (2) of Rule 44, read with Part X of the Second Schedule.

The statements required under sub-section (2) of section 165C must be submitted in two formats: Form A1 and Form A2, the FBR added.

The FBR has also notified that online marketplaces must submit a monthly statement against digitally ordered goods and services.

This requirement applies under sub-section (2) of section 165C, which mandates online marketplaces to furnish a monthly statement containing transactional and aggregate data of registered sellers.



A close-up photograph of three white, cube-shaped blocks with the letters 'T', 'A', and 'X' in black, arranged to spell 'TAX'. They are resting on a white computer keyboard. Other keys like '7', '4', '2', and '1' are visible in the background.

FBR Simplified electronic Income Tax Return for tax year 2025 for Salaried, Individual, AOP & Company

The conclusive version was notified through SRO1561 of 2025 dated 18th Aug-25 after a consultation period of 40 days, subsequent to the public release of the draft version for feedback on July 7 of this year.

The new form is currently available only in English, while the Urdu version is still awaited despite earlier government announcements. Weeks of delay in finalizing the form had created uncertainty among taxpayers, which was finally resolved with the notification of the final version.

The interactive return form features an auto-fill system that consolidates information regarding purchases, assets, and source tax deductions, ultimately producing a single return upon its completion. It comprises eight digital windows, each containing one input column, structured for a sequential process.

For example, inputting an employer's name in the initial field will automatically populate the tax deduction information. Withholding tax deductions associated with CNIC numbers will also be displayed on the form. Likewise, providing bank account information will reveal closing balances, and registered purchases connected to the filer's CNIC will be auto-filled, reducing the need for manual data entry.

The streamlined return form is designed for salaried individuals who also have rental income, in addition to small businesses that fall within a specified limit. Taxpayers who surpass this limit will be directed to the conventional filing procedure.



Through SRO1562 of 2025 dated 18th Aug-25, the FBR has introduced simplified electronic return forms for salaried individuals, associations of persons (AOPs), companies, and business professionals, aiming to streamline the filing process and improve transparency. Under the Income Tax Ordinance, taxpayers are required to commence the filing of their returns shortly after the conclusion of the tax year, with September 30 designated as the final deadline.

SRO1562 also requires owners of real estate located abroad to submit an "Electronic Foreign Income and Assets Declaration for Resident Individuals". Resident taxpayers are now obligated to reveal information regarding foreign rental properties, business income, overseas assets, earnings, and bank accounts.

Furthermore, the FBR has announced separate electronic returns for non-residents who do not have any income sourced from Pakistan, as well as for traders, small and medium enterprises (SMEs), and salaried taxpayers. Finalized versions of the electronic return for manufacturers, traders, and SMEs have also been released.



Significant amendments in Sales Tax Act 1990

Electronic Integration of Registered Persons (E-Invoicing)

According to an SRO1413(I)/2025 dated 1st Aug-2025 issued by the Federal Board of Revenue (FBR), the Federal Board of Revenue (FBR) has directed that all sales tax registered persons specified shall complete the registration and testing for integration of their hardware and software with the Board’s computerized system through a licensed integrator or PRAL and shall issue electronic invoices, not later than the respective dates specified.

The FBR has superseded notification No SRO 709(I)12025, dated the 22nd April2025.

S. No.	Category of Registered person	Date for registration	Date for testing	Date for issuance of electronic invoices
(1)	(2)	(3)	(4)	(3)
1.	All public companies	10 th August, 2025	25 th August, 2025	1 st September, 2025
2.	All companies excluding at serial no. 1 with turnover exceeding 1 billion rupees declared in sales tax returns for the last twelve months	10 th August, 2025	25 th August, 2025	1 st September, 2025
3.	All importers	10 th August, 2025	25 th August, 2025	1 st September, 2025
4.	All companies excluding at serial no. 1 with turnover exceeding 100 million rupees but not exceeding 1 billion rupees declared in sales tax returns for the last twelve months	10 th September, 2025	30 th September, 2025	1 st October, 2025
5.	All companies excluding at serial no. 1 with turnover not exceeding 100 million rupees declared in sales tax returns for the last twelve months	10 th October, 2025	30 th October, 2025	1 st November, 2025
6.	All individuals and association of persons with turnover exceeding 100 million rupees declared in sales tax returns for the last twelve months	10 th September, 2025	30 th September, 2025	1 st October, 2025
7.	Registered persons other than listed above	10 th November, 2025	30 th November, 2025	1 st December, 2025



Electronic Integration of Registered Persons (E-Invoicing)

Pakistan’s Federal Board of Revenue (FBR) issued Notification (Sales Tax) S.R.O. 1429(I)/2025 dated 8th Aug-25, which introduced a new Chapter XIV-E in the sales tax rules.

The notification enforces a withholding tax on payments made for digitally ordered products that are delivered within Pakistan via local online marketplaces, websites, or comparable applications. This initiative is included in the Finance Act of 2025.

The withholding tax applies at a flat rate of 1% on payments made through digital or banking channels via payment intermediaries and 2% on cash-on-delivery payments processed by courier services.

Online marketplaces are required to submit monthly statements; however, they are not obligated to withhold tax. The reporting forms are included in the notification, which consists of Form STR-34 designated for online marketplaces, Form STR-35 intended for payment intermediaries, and Form STR-36 allocated for couriers.



Circular NO 1

Finance Act, 2025 - Explanation of Important Amendments Made in Income Tax Ordinance, 2001

The Federal Board of Revenue (FBR), through its Circular No. 01 for the fiscal year 2025-26 (Income Tax), referenced as C. No. 4(32) IT-Budget/2025, dated August 2, 2025, has issued a clarification regarding the major changes introduced by the Finance Act of 2025.

Introducing Tax Regime for E-commerce:

Clause (17C) and (19AA) of Section 2, 153, 165C, 181 and 182

The new taxation system for domestic e-commerce transactions includes a charging section 6A, requiring every payment received for digitally ordered goods or services via an online marketplace (OMP) or website to be taxed. Payment intermediaries and couriers involved in Cash on Delivery are also required to collect withholding tax at 1% and 2% on gross receipts respectively. This tax encourages the use of digital payment methods to meet the national cashless economy goal.

Advance Tax on Cash Withdrawal from Bank:

Section 231AB

Section 231AB was introduced through Finance Act, 2023 whereby every banking company was authorized to deduct advance adjustable tax @ 0.6% from a person whose name is not appearing in Active Taxpayer List, where the aggregate of cash withdrawals in a single day exceeds Rs.50,000/-.

Through Finance Act 2025, the tax rate on cash withdrawal has been increased to 0.8% of the amount of cash withdrawn.

Tax Rebate to Full-Time Teachers and Researchers :

Clause (3A) of Part-III of the Second Schedule

The tax rebate of 25% against tax payable by full-time teachers or researchers was admissible up to tax year 2022 under omitted sub-clause (2) of clause (1) of Part III of Second Schedule to the Income Tax Ordinance, 2001. No rebate was therefore available to full-time teachers and researchers for tax year 2023 and onwards.

Tax Relief for Salaried Persons:

Clause (2) of Division I of Part I of the First Schedule

To provide relief to lower and middle tier salary income as well as reduce tax liability in a significant way for upper tier salaried individuals the following changes have been introduced:

Taxable Income Range	Tax Rate
Up to Rs. 600,000	No tax
Rs. 600,001 to Rs. 1,200,000	1% of the amount exceeding Rs. 600,000
Rs. 1,200,001 to Rs. 2,200,000	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000
Rs. 2,200,001 to Rs. 3,200,000	Rs. 116,000 + 23% of the amount exceeding Rs. 2,200,000
Rs. 3,200,001 to Rs. 4,100,000	Rs. 345,000 + 30% of the amount exceeding Rs. 3,200,000
Above Rs. 4,100,000	Rs. 615,000 + 35% of the amount exceeding Rs. 4,100,000

Disallowance of Certain Expenditures:

Sections 21 & 22

The Finance Act 2025 introduced new amendments regarding the disallowance of particular expenses as:

- 1 - 10% of expenses claimed for purchases from persons without a National Tax Number (NTN) will be disallowed, with the exception of direct purchases of agricultural produce from farmers.
- 2 - 50% of sales-related expenses will be disallowed where payments exceeding Rs 200,000 are made other than through a banking channel or digital medium.
- 3 - Depreciation will not be permitted on capital assets if the withholding tax obligations outlined in Sections 152 or 153 have not been satisfied at the time of acquisition.

For further detail, please review Circular No 1

<https://download1.fbr.gov.pk/Docs/2025813148592598CircularNo.02-2025.pdf>

Circular No. 02 of 2025-26

**EXPLANATION REGARDING TRANSACTIONAL LIMIT FOR CASH BASED PAYMENTS FOR RETAIL OUTLETS
AND CASH-ONDELIVERY (COD) IN E-COMMERCE**

In order to promote the government's overall objective of cashless economy and in line with the provisions of section 21 (s) of the Income Tax Ordinance, 2001, it is reiterated that the same principle on transaction limits for cash-based payments as for retail outlets to be followed for e commerce COD orders as well. The limit for cash transaction for both shall be Rs. 200,000/- for this purpose.

For further detail, please review Circular No 2 of 2025-26

<https://download1.fbr.gov.pk/Docs/2025813148592598CircularNo.02-2025.pdf>

Federal Board of Revenue (FBR) has Implemented a Digital Tax Regime Targeting Online Income and Platforms

Pakistan's e-commerce industry has experienced significant expansion since Covid-19, and the FBR intends to integrate this sector into the official tax system.

The Federal Board of Revenue (FBR) aims to enhance its revenue through the implementation of taxation strategies, with a goal of generating Rs 65 billion from e-commerce tax initiatives.

By mandating that payment intermediaries and courier services withhold tax at the source, the Federal Board of Revenue (FBR) can enhance tax compliance and mitigate tax evasion. The initiatives undertaken by the FBR to expand the tax base and enhance revenue collection are also motivated by the stipulations set forth by the International Monetary Fund (IMF).

The Federal Board of Revenue(FBR) has proposed implementing an 18% sales tax on e-commerce transactions, which will be applicable to activities involving online buying and selling. Further, Federal Board of Revenue (FBR) is contemplating an increase in the withholding Income tax applicable to transactions within the digital marketplace, possibly raising it from 0.25% to a higher percentage.

E-commerce enterprises will be obligated to register for both sales tax and income tax, while online marketplaces must verify that all



sellers utilizing their platforms are properly registered.

Further, in order to secure revenue, FBR has also developed a mechanism. If online marketplace and courier services allow to use of its services in the course of e-commerce by unregistered person, such courier or online market places will face the penalties & offence.

Also, Courier Services, payment Intermediary and online marketplaces will furnish prescribed monthly statement to FBR with due date, indicating supplier wise amount and tax due. In case of non-furnishing of statement severe penalty & offences will face to payment Intermediary, online marketplaces and courier services.

The taxation measures are expected to generate significant

revenue for the government By bringing .e-commerce businesses into the formal tax net, the FBR aims to promote transparency and accountability in the sector. However, tax analysts have raised concerns that aggressive taxation could stifle the growth of small businesses and tech startups in the e-commerce space.



However, by imposing new taxes regime on e-commerce online shopping could be costlier. Government should need to make effective preventive actions towards control on product pricing for public maintain the interest.

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