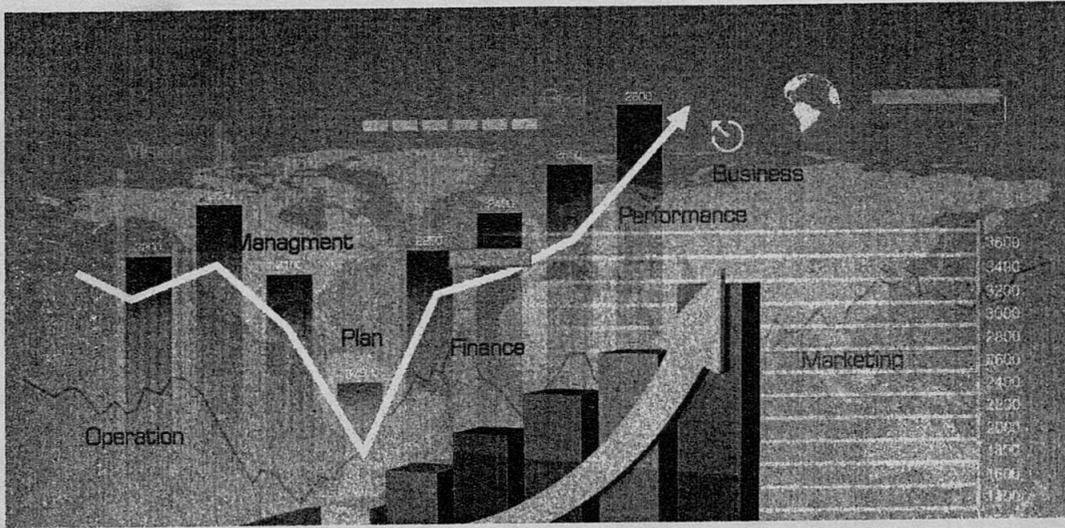


SENATE OF PAKISTAN



REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE TO CONSIDER AND MAKE RECOMMENDATIONS ON THE MONEY BILL, THE TAX LAWS (AMENDMENT) BILL, 2024”



REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE ON THE MONEY BILL, THE TAX LAWS (AMENDMENT) BILL, 2024, REFERRED BY THE HOUSE IN ITS SITTING HELD ON 19TH DECEMBER, 2024

PRESENTED BY
SENATOR SALEEM MANDVIWALLA
CHAIRMAN COMMITTEE

SENATE SECRETARIAT

REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE TO CONSIDER AND MAKE RECOMMENDATIONS ON THE MONEY BILL, THE TAX LAWS (AMENDMENT) BILL, 2024 REFERRED BY THE HOUSE IN ITS SITTING HELD ON 19TH DECEMBER, 2024

I, Senator Saleem Mandviwalla, Chairman, Standing Committee on Finance, Revenue and Economic Affairs, have the honour to present, on behalf of the Committee, this report on the Tax Laws (Amendment) Bill, 2024, laid on the table of the House on 19th December, 2024, under Article 73 of the Constitution for making recommendations, if any, thereon to the National Assembly and referred to the Standing Committee for consideration and report.

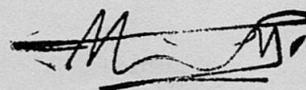
2. The composition of the Standing Committee is given as under: -

1)	Senator Saleem Mandviwalla	Chairman
2)	Senator Farooq Hamid Naek	Member
3)	Senator Sherry Rehman	Member
4)	Senator Mohsin Aziz	Member
5)	Senator Syed Shibli Faraz	Member
6)	Senator Anusha Rahman Ahmad Khan	Member
7)	Senator Shahzaib Durrani	Member
8)	Senator Fesal Vawda	Member
9)	Senator Ahmed Khan	Member
10)	Senator Manzoor Ahmed	Member
11)	Senator Syed Faisal Ali Sabzwari	Member
12)	Minister for Finance and Revenue	Ex-Officio Member

3. The Committee considered the said Bill in its meetings held on 24th & 26th December, 2024, at Parliament House, Islamabad. The last meeting of the Committee was attended by the following Members:-

1)	Senator Saleem Mandviwalla	Chairman
2)	Senator Mohsin Aziz	Member
3)	Senator Syed Shibli Faraz	Member
4)	Senator Anusha Rahman Ahmad Khan	Member
5)	Senator Shahzaib Durrani	Member
6)	Minister for Finance and Revenue	Ex-Officio Member

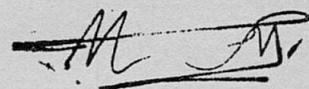
4. The Minister for Finance briefed the Committee on the overall purpose and broad contours of the bill, moreover, he emphasized that the primary goal of the Bill is to enhance effectiveness of tax regulations and improve the overall tax collection mechanism. Replying



to the queries regarding the status of said bill as money bill, the Secretary, M/o Law and Justice explained that Article 73 of the Constitution outlines matters that fall under the category of money bill including regulation of taxes and also referred 2015 judgment of Hon'ble Lahore High Court that defined the regulation of tax, therefore, the said Bill is also a Money Bill. Furthermore, if there is any confusion then Article 73, sub-clauses 4 and 5 empower the Speaker of the National Assembly to decide whether a bill is a money bill or not.

5. After thorough discussion, the Committee made the following recommendations for onward transmission to the National Assembly as required under Article 73 of the Constitution:-

- 1) The Committee recommended the following amendments in the Tax Laws (Amendment) Bill, 2024, hereinafter referred to as the said Bill:-
 - (i) In the said Bill, in clause 2, in sub-clause (3), in the proposed section 32B, in the proposed sub-section (2), for the expression "deem fit," the expression "deem fit but not more than two thousand auditors," shall be substituted;
 - (ii) In the said Bill, in clause 2, in sub-clause (5), in paragraph (b), for the word "Board" the expression "Board, with the approval of the Minister-in-Charge," shall be substituted;
 - (iii) In the said Bill, in clause 4, in sub-clause (1), in the proposed section 114C, in the proposed sub-section (1), in paragraph (d), in sub-paragraph (i), after the words "Asaan Account" the words " and Pensioner Account" shall be inserted;
 - (iv) In the said Bill, in clause 4, in sub-clause (1), in the proposed section 114C, in the proposed sub-section (5), in the paragraph (d), after the words "eligible person" the words "as defined in clause (b) of this sub-section" shall be added;
 - (v) In the said Bill, in clause 4, in sub-clause (5), in the proposed sub-section (2) of section 222, for the full stop occurring at the end a

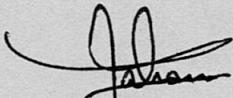


colon “:” shall be substituted and thereafter, the following proviso shall be added, namely:-

“Provided that the total number of auditors appointed under this section and under section 32B of the Sales Tax 1990, shall not be more than two thousand.”

- 2) The Committee recommended that the sale of immovable property should also be brought under the newly proposed Section 114(C) in the Tax Laws (Amendment) Bill, 2024.
- 3) The Committee recommended that the sale and purchase of gold should also be placed under newly proposed Section 114(C) in the Tax Laws (Amendment) Bill, 2024 along with the proper mechanism for its regulation.
- 4) The Committee recommends that only one comprehensive audit in a year should be carried out by the tax authorities.

6. The consolidated recommendations of the Committee to be transmitted to the National Assembly are placed at “Annex-A” and the Bill as laid in the Senate is placed at “Annex-B”.


(Muhammad Salman)
Acting Secretary Committee


(Senator Saleem Mandoiwalla)
Chairman of the Committee

SENATE SECRETARIAT

**RECOMMENDATIONS OF SENATE OF PAKISTAN IN
THE TAX LAWS (AMENDMENT) BILL, 2024**

1. The Senate of Pakistan recommends to the National Assembly that the following amendments shall be made in the Tax Laws (Amendment) Bill, 2024, hereinafter referred to as the said Bill:-

- (i) In the said Bill, in clause 2, in sub-clause (3), in the proposed Section 32B, in the proposed sub-section (2), for the expression "deem fit," the expression "deem fit but not more than two thousand auditors," shall be substituted;
- (ii) In the said Bill, in clause 2, in sub-clause (5), in paragraph (b), for the word "Board" the expression "Board, with the approval of the Minister-in-Charge," shall be substituted;
- (iii) In the said Bill, in clause 4, in sub-clause (1), in the proposed Section 114C, in the proposed sub-section (1), in paragraph (d), in sub-paragraph (i), after the words "Asaan Account" the words " and Pensioner Account" shall be inserted;
- (iv) In the said Bill, in clause 4, in sub-clause (1), in the proposed Section 114C, in the proposed sub-section (5), in the paragraph (d), after the words "eligible person" the words "as defined in clause (b) of this sub-section" shall be added;
- (v) In the said Bill, in clause 4, in sub-clause (5), in the proposed sub-section (2) of Section 222, for the full stop occurring at the end a colon ":" shall be substituted and thereafter, the following proviso shall be added, namely:-

"Provided that the total number of auditors appointed under this section and under Section 32B of the Sales Tax 1990, shall not be more than two thousand."

2. The Senate of Pakistan recommends to the National Assembly that the sale of immoveable property should also be brought under the newly proposed Section 114(C) in the Tax Laws (Amendment) Bill, 2024.



3. The Senate of Pakistan recommends to the National Assembly that the sale and purchase of gold should also be placed under newly proposed Section 114(C) in the Tax Laws (Amendment) Bill, 2024 along with the proper mechanism for its regulation.

4. The Senate of Pakistan recommends to the National Assembly that only one comprehensive audit in a year should be carried out by the tax authorities.

4

[~~AS~~ INTRODUCED IN THE NATIONAL ASSEMBLY]

A

BILL

further to amend certain tax laws

WHEREAS, it is expedient further to amend certain tax laws, in the manner and for the purposes hereinafter appearing;

It is hereby enacted as follows: —

1. **Short title and commencement.** — (1) This Act shall be called the Tax Laws (Amendment) Act, 2024.

(2) It shall, unless provided otherwise, come into force at once.

2. **Amendments of Sales Tax Act, 1990.** — (1) In the Sales Tax Act, 1990, the following further amendments shall be made, namely: —

(1) in section 8B, in sub-section (4), after the full stop at the end, the following shall be added, namely: —

“In order to limit input tax allowance, the Board may also use data based automated risk management system to defer certain input tax or fix higher or lower limits of input tax adjustment:

Provided that the registered person may contest the action taken under this sub-section by filing application and documents with the Commissioner concerned, who shall decide the case within sixty days of such application.”.

(2) after section 14AB, the following new sections shall be inserted, namely: —

“14AC. **Bar on operations of Bank Accounts.** — (1) Notwithstanding anything contained in this Act or any other law for the time being in force, the Commissioner shall have the powers to direct banking companies, scheduled banks and other financial institutions, through an order in writing, to bar operation of the bank account of any person who fails to get registered for the purposes of this Act.

(2) Notwithstanding anything contained in sub-section (1) upon registration of such person, the Commissioner shall issue and convey order for removal of bar on operation of his bank accounts not later than two working days.

(3) Any person, aggrieved by any decision or order passed under sub-section (1), may within thirty days of the date of receipt of such decision or order prefer an appeal before the Chief Commissioner Inland Revenue.

(4) The provisions of this section shall come into force on such date as the Board may by notification in the official Gazette appoint.

“14AD. Bar on transfer of Immoveable Property. — (1) Notwithstanding anything contained in this Act or any other law for the time being in force, the Commissioner shall have the powers to direct the property registering authority, through an order in writing, to bar transfer of immoveable property of any person who fails to get registered for the purposes of this Act.

(2) Notwithstanding anything contained in sub-section (1), upon registration of such person, the Commissioner shall issue and convey order for removal of bar on transfer of immovable property not later than two working days.

(3) any person, aggrieved by any decision or order passed under sub-section (1) may, within thirty days of the date of receipt of such decision or order prefer an appeal before the Chief Commissioner Inland Revenue.

(4) The provisions of this section shall come into force on such date as notified by the Board.

“14AE: Other coercive actions for non-registration. - (1) Notwithstanding anything contained in this Act or any other law for the

time being in force, any person who fails to get himself registered for the purposes of this Act, the Chief Commissioner shall have the powers to —

- (a) seal the business premises;
 - (b) seize moveable property; or
 - (c) appoint a receiver for the management of the taxable activity of a person.
- (2) Action under sub-section (1) shall not be carried out, unless —
- (a) 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;
 - (b) 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
 - (c) such decision is made public by placement on the Board's website and newspaper as well.
- (3) Notwithstanding anything contained in sub-section (1) upon registration, of such person the Chief Commissioner shall issue and convey order for removal of receiver appointed under sub-section (1) not later than two working days.
- (4) Any person, aggrieved by any decision or order passed under sub-section (1), may within thirty days of the date of receipt of such decision or order prefer representation before the Board.

(5) All or any of the provisions of this section shall come into force on such date as the Board may by notification in the official Gazette appoint.

(3) after section 32A, the following new section shall be inserted namely: —

“32B. Appointment of experts and auditors. — (1) The Board or the Commissioner may appoint as many experts as it or the Commissioner considers necessary for the purposes of this Act, including for the purposes of assistance in audit, investigation, litigation or valuation.

(2) The Board may appoint as many auditors as it may deem fit, through direct engagement or through a third party including a pay roll firm for the purposes of this Act, and confer such powers as may be deemed necessary to assist the authorities mentioned in clauses (a) to (f) of sub-section (1) of section 30 of this Act and clauses (a) to (f) of sub-section (1) of section 29 of the Federal Excise Act, 2005, as per the terms, conditions, limitations and restrictions as may be prescribed.”;

(4) in section 56B, in sub-section (1), after the word “servant”, the expression “, expert or auditor appointed under section 32B” shall be inserted; and

(5) in section 73, in sub-section (4), —

(a) for the expression “aggregate, one hundred million rupees in financial year or ten million rupees”, the words “a financial year or” shall be substituted.

(b) after the word “Act”, the words “as may be specified by the Board through a sales tax general order” shall be inserted; and

(6) The amendments made under clauses (a) and (b) shall take effect from such date as the Board may by notification in the official Gazette appoint.

3. Amendments of the Islamabad Capital Territory (Tax on Services) Ordinance, 2001 (XLII of 2001). — In the Islamabad Capital Territory (Tax on

Services) Ordinance, 2001 (XLII of 2001), in section 3, in sub-section (1), in the first proviso, for the semicolon, a colon shall be substituted and thereafter the following new proviso shall be added namely. —

“Provided further that from such date and in such mode and manner, as may be prescribed through a general order by the Board, any service provider as mentioned in Table 1 or Table 2 of the Schedule shall integrate his businesses with the Board’s computerized system for real-time reporting of provision of services.”

4. Amendments of The Income Tax Ordinance, 2001 (XLIX of 2001). —
In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely: —

(1) after section 114B, the following new section shall be inserted, namely: —

“114C. Restriction on economic transactions by certain persons. — (1) Notwithstanding anything contained in any law for the time being in force, —

- (a) any application, by any ineligible person, for booking, purchase or registration of a motor vehicle, shall not be accepted or processed by any manufacturer of a motor vehicle or vehicle registering authority of Excise and Taxation Department, as the case may be;
- (b) any application or request by any ineligible person, to any authority responsible for registering, recording or attesting transfer of any immovable property, more than such value in aggregate in a tax year as may be notified by the Board from time to time, shall not be accepted or processed by such authority;
- (c) any person, authorized to sell securities including debt securities or units of mutual funds including a person

authorized to open and maintain an account or clear such transactions, shall not sell, open an account or clear sale of securities, mutual funds, to an ineligible person being an individual or an association of persons;

(d) a banking company shall —

(i) not open or maintain an already opened current or a saving bank or investor portfolio securities account, except Asaan account, in the name of such persons as may be notified by the Board;

(ii) not allow cash withdrawal from any of the bank accounts of any person, exceeding the amount as may be notified by the Board from time to time;

(2) The provisions of sub-section (1) shall not apply to —

(a) purchase of rikshaws or motorcycle rikshaws or tractors;

(b) purchase of a pick-up vehicle having engine capacity up to 800 CC;

(c) 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;

(d) investment in securities up to such limit as may be notified by the Board from time to time;

(e) 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

- (g) transactions made by a non-resident person or a public company except that mentioned in sub-clause (ii) of clause (d) of sub-section (1);
- (3) The sources of investment and expenditure statement filed by the person and sufficient resources mentioned in sub-section (5), shall not be construed as nature and source of income for the purposes of section 111.
- (4) All or any of the restrictions imposed under sub-section (1) shall come into force as the Board may by notification in the official Gazette appoint with the approval of the Federal Government.”
- (5) For the purposes of this section, —
- (a) “*cash equivalent assets*” shall be such assets as may be prescribed;
- (b) “*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.
- (c) “*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;

- (d) "*ineligible person*" shall mean a person who is not an eligible person;
- (e) "*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
- (f) "*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.";

(2) after section 175A, the following new section shall be inserted, namely: —

"175AA. Exchange of banking and tax information related to high-risk persons. — (1) Notwithstanding anything contained in any law for the time being in force, including but not limited to the Banking Companies Ordinance, 1962 (LVII of 1962), section 216 of this Ordinance and any regulations made under the State Bank of Pakistan Act, 1956 (XXXIII of 1956), —

- (a) the Board may share information of turnover, income including taxable income, for one or more tax years, identification data including bank account numbers declared in the income tax return, wealth statement, financial statement or in any other document to the Board, in respect of persons or classes of persons, along with data-based algorithms, as may be prescribed, with scheduled banks in Pakistan; and

(b) the Scheduled banks shall provide to the Board particulars, such as name, account numbers of such persons where the banking information is at variance with the data algorithms provided under clause (a) of this sub-section.

(2) All information received under this section shall be used only for tax and related purposes and kept confidential.”;

(3) in section 207, in sub-section (1), —

(a) in clause (k), the word “and” shall be omitted; and

(b) in clause (l), after the semicolon, the word “and” and thereafter the following new clause shall be added, namely: —

“(m) auditor appointed under section 222.”;

(4) in section 216, in sub-section (3), after clause (b), the following new clause shall be inserted, namely: -

“(ba) to an auditor appointed on contractual basis or engaged through a third party including a payroll firm in the Federal Board of Revenue, after a non-disclosure agreement is made with such auditor as may be prescribed, to assist any authority mentioned in clauses (b) to (g) of sub-section (1) of section 207.”; and

(5) in section 222, the existing provision shall be re-numbered as sub-section (1) thereof, and after sub-section (1), numbered as aforesaid, the following new sub-section shall be added, namely: —

“(2) The Board may also appoint as many auditors on contractual basis or through a third-party arrangement, as the case may be, as it deems fit for carrying out the purposes of this Ordinance.”.

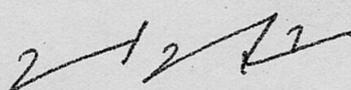
5. In the Federal Excise Act, 2005, the following further amendments shall be made, namely: —

- (1) in section 26, in sub-section (1), after the word “thereunder”, the expression “or dutiable goods 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” shall be inserted; and
- (2) in section 27, –
- (a) in sub-section (1), after the word “counterfeiting”, the expression “or such goods 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” shall be inserted; and
- (b) after sub-section (3), the following new sub-section shall be added, namely: –

“(4) Without prejudice to the foregoing provisions of this section, the Board, in case of goods subject to monitoring under section 45A of this Act and counterfeited goods, may authorize any officer or employee of the Federal or Provincial Government to exercise the powers and perform the functions of Officer of Inland Revenue under section 26 and sub-section (1) of section 27, by notification in the official Gazette subject to such conditions, if any, that it may deem fit to impose.”.

Statement of Objects and Reasons

The purpose of this bill is to give effect to the proposals for effective compliance to the tax laws and to ensure that taxes are paid according to income and consumption level, to complete value chain of businesses and generate financial resources for economic development, as proposed by the Federal Government.


Muhammad Aurangzeb
Minister for Finance and Revenue