



COMMENTS ON THE TAX LAWS (AMENDMENT) ORDINANCE, 2025

Preamble

This document provides our observations on the Tax Laws (Amendment) Ordinance, 2025, issued by the President of Pakistan on May 2, 2025. The ordinance introduces new provisions under the Income Tax Ordinance, 2001, and the Federal Excise Duty Act, 2005, aimed at strengthening tax authorities' enforcement mechanisms. It empowers them to recover outstanding income tax demands promptly, provided the relevant legal matters have been adjudicated by higher courts. Additionally, the ordinance expands the Federal Board of Revenue's (FBR) authority to enhance compliance measures.

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Income Tax Ordinance, 2001.

Section 138

The newly introduced sub-section mandates that any tax liability arising under a provision or assessment order becomes immediately payable once the issue leading to the liability has been adjudicated by the High Court or Supreme Court of Pakistan. This applies regardless of any conflicting provisions in the law or contrary rulings by other courts or authorities. The tax must be settled within the timeframe specified in the notice issued by the income tax authority.

Section 140(6A)

Similarly, this amendment mandates that tax assessed under an order becomes instantly recoverable once the underlying legal matter has been decided by a High Court or Supreme Court. This enforcement stands irrespective of any provisions in the Ordinance or any court ruling that might otherwise delay recovery.

Impact and Analysis

These amendments significantly strengthen tax enforcement by ensuring that once a higher court rules against a taxpayer, the tax authorities can immediately recover dues without further procedural delays. While this move aims to streamline revenue collection and reduce prolonged litigation, it raises concerns about taxpayer rights and due process.

One major issue is that tax authorities may invoke recovery measures even in cases where an appeal is pending or a stay order is in effect. This could lead to premature enforcement, potentially undermining judicial relief mechanisms. Additionally, the amendments grant broad discretionary powers to tax authorities, which—if not exercised transparently—could result in coercive tax collection practices.

From a policy standpoint, while efficient revenue mobilization is crucial for economic stability, these measures must be balanced against constitutional guarantees to ensure fairness and accountability. The success of these amendments will largely depend on judicial oversight, administrative transparency, and safeguards against arbitrary enforcement.

Concerns have already been raised by business leaders and tax professionals, who argue that these provisions could discourage investment, create uncertainty, and erode trust in the tax system. If not carefully implemented, they may stifle economic activity rather than enhance compliance.

Section 175C (Posting of officers of inland revenue).

The new law grants the Board or the Chief Commissioner the authority to assign an Inland Revenue Officer or other designated officials, operating under their supervision to the premises of any individual or category of persons. Their role is to monitor production activities, track the supply of goods, oversee

the provision of services, and assess unsold stock at any given time.

Federal Excise Act, 2005

Section 26 & 27 (Power to seize and confiscation of goods)

Under Section 26 of the Federal Excise Act, 2005, authorities are empowered to seize unlawfully manufactured or counterfeit cigarettes and beverages, along with other dutiable goods where the applicable excise duty remains unpaid. This provision also extends to the conveyances utilized in the transportation of such illicit goods.

The latest amendment to the Ordinance further broadens the scope of Section 26, mandating the seizure of goods cleared or sold in violation of regulatory marking requirements. Specifically, this includes goods that lack the prescribed tax stamps,

barcodes, banderoles, stickers, labels, or bear counterfeit markings, as stipulated under Section 45A of the Federal Excise Act.

The newly introduced sub-section (4) of Section 27 grants the Board authority to delegate enforcement powers regarding goods subject to monitoring under Section 45A of the Federal Excise Act (FE Act), as well as counterfeit goods. Through an official notification in the Gazette, the Board may authorize any officer or employee from the Federal or Provincial Government to exercise the powers and fulfill the duties of an Officer of Inland Revenue, as outlined in Section 26 and sub-section (1) of Section 27 of the FE Act.

This expansion strengthens enforcement measures to combat tax evasion and counterfeit trade, reinforcing regulatory compliance in the excise sector.



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