

Tax Bulletin

September 2025



Foreword



This publication contains brief commentary on Circulars, SROs and decisions of the adjudicating authorities issued during August 2025.

This document contains general information only, and Yousuf Adil, Chartered Accountants, is not by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional advisor.

Yousuf Adil accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

This publication can also be accessed on our Website.

www.yousufadil.com

Karachi
October 01, 2025

Contents

Executive Summary	04
Income Tax Ordinance, 2001	06
A. Notifications	06
B. Reported Decisions	06
Sales Tax Act, 1990	09
A. Notifications	09
B. Reported Decisions	10

Executive Summary

S.No.	Reference	Summary / Gist	Page No.
Direct Tax – Notifications			
1	S.R.O. 1634(I)/2025	Rule 38A, Statement to be furnished by Online Marketplace.	6
2	S.R.O. 1561(I)/2025	INCOME TAX RETURN FOR TAX YEAR 2025 Simplified Electronic Return for Individuals.	6
3	S.R.O. 1562(I)/2025	INCOME TAX RETURN FOR TAX YEAR 2025 Notification for Income Tax return for: • AOP (Association of Persons) • Individual • Non-Resident (with no source of income in Pakistan) • Resident Individual (for Foreign Income and Assets Declaration) • Manufacturer (Simplified Return) • Trader (Simplified Return) • SME (Simplified Return).	6
Direct Tax – Reported Decision			
1	(2025) 132 TAX 181 = 2025 SLD 1353	A REFERENCE APPLICATION UNDER SECTION 133 OF THE INCOME TAX ORDINANCE, 2001 IS NOT MAINTAINABLE AGAINST A TRIBUNAL'S REMAND ORDER, AS NO CONCLUSIVE FINDING OF LAW ARISES FROM IT	6
2	(2025) 132 TAX 195 = 2025 SLD 1917	EXEMPTION FROM AUDIT UNDER CLAUSE (105A) OF PART IV OF THE SECOND SCHEDULE IS PROSPECTIVE AND APPLIES ONLY IF THE PREVIOUS AUDIT WAS IN ONE OF THE FOUR IMMEDIATELY PRECEDING TAX YEARS	7
Indirect Tax - Sales Tax Act, 1990			
Federal Sales Tax – Notifications/Circulars			
1	S.R.O. 1429(I)/2025 dated August 4, 2025	FBR has notified further amendments in Sales Tax Rules, 2006 whereby a new Chapter XIV-E is introduced regarding withholding obligation for online marketplace, payment intermediary and courier through digitally ordered goods.	9

S.No.	Reference	Summary / Gist	Page No.
2	SRO. 1852(I)/2025 dated September 24, 2025; and SRO. 1413(I)/2025 dated August 1, 2025	FBR has superseded SRO 1413(I)/2025 and SRO 709(I)/2025 and issued fresh timelines under Rule 150Q of the ST Rules, 2006 for mandatory electronic integration and invoicing All specified categories of registered persons must complete registration, testing, and issuance of e-invoices through PRAL or licensed integrators as per revised dates.	9
Sales Tax Act, 1990– Reported Decisions			
1	2025 TAX 146 SUPREME COURT OF PAKISTAN	SUPPLIES MADE TO PERSONS WHO HAD OBTAINED REGISTRATION EVEN IF LATER SUSPENDED OR BLACKLISTED DID NOT FALL WITHIN THE SCOPE OF SECTION 3(1A) OF THE ST ACT WHICH APPLIES ONLY TO SUPPLIES MADE TO UNREGISTERED PERSONS. The SCP has held that section 3(1A) of the Act applies only to supplies made to unregistered persons and suspension, blacklisting, or inactive status does not alter a person's registered status. The Court rejected retrospective application of the 2022 amendment and reaffirmed the principle of strict construction in fiscal statutes and declared ATIR's interpretation legally flawed. Consequently, the SCP has set aside the High Court Judgement.	10
2	2025 TAX 189 SINDH HIGH COURT	SUBSEQUENT BLACKLISTING OF ACTIVE VENDORS IF COMPLIED WITH SECTION 73 OF THE ACT, DOES NOT AFFECT ADJUSTMENT OF INPUT TAX. The SHC relied on the recent judgment of Supreme Court of Pakistan in the case of Eagle Cables and held that input tax cannot be denied if suppliers were active at the time of supply and payments were made through banking channels. The SHC further held that section 8(1)(ca) must be applied with section 8A of the Act requiring proof of the buyer's knowledge of non-deposit by the supplier. The Court affirmed that input tax remains admissible on tax "paid or payable," protecting bona fide taxpayers from undue disallowance.	11

Income Tax Ordinance, 2001

A. Notifications:

1. S.R.O. 1634(I)/2025 dated August 27, 2025

The Federal Board of Revenue (FBR) has published a draft of amendments to the Income Tax Rules, 2002, to operationalize the withholding tax regime for digitally ordered goods and services under Section 165C of the Income Tax Ordinance, 2001. The draft introduces comprehensive monthly and quarterly reporting requirements for online marketplaces, payment intermediaries, and courier services.

Online marketplaces are now required to file monthly statements (Form A1 and Form A2) detailing supplier-wise transactions and tax deductions. Concurrently, the frequency for statements from payment intermediaries and couriers has been increased from biannual to quarterly, with new dedicated forms (Form-I and Form-II) introduced for this purpose. The purpose of these rules is to enhance transparency and ensure compliance in the rapidly growing digital economy by formally documenting the flow of transactions and tax withheld at the source.

2. S.R.O. 1561(I)/2025 dated August 18, 2025

The Federal Board of Revenue (FBR) has formally amended the Income Tax Rules, 2002, to introduce a new Simplified Electronic Return for Individuals for the Tax Year 2025. This notification finalizes the new return form and its integrated filing process, which was previously published as a draft for public consultation. The purpose of this simplified return is to streamline the tax filing experience for individuals by providing a guided, step-by-step electronic form.

Key features include pre-filled information for certain income sources (like profit on bank accounts and dividends), a structured flow for declaring various types of income and assets, a dedicated section for the exclusion of properties from the deemed

income tax under Section 7E, and an automated wealth reconciliation statement.

The notification confirms that any subsequent changes to the return in the FBR's IRIS system will be considered effective from the outset, protecting taxpayers who filed under the original version. This new return is specifically applicable for the Tax Year 2025 (covering the period from July 1, 2024, to June 30, 2025).

3. S.R.O. 1562(I)/2025 dated August 18, 2025

This SRO introduces an amendment to the Income Tax Rules, 2002, notifying the electronic income tax return forms for the Tax Year 2025 for:

- AOP (Association of Persons)
- Individual
- Non-Resident (with no source of income in Pakistan)
- Resident Individual (for Foreign Income and Assets Declaration)
- Manufacturer (Simplified Return)
- Trader (Simplified Return)
- SME (Simplified Return).

B. Reported Decisions

1. A REFERENCE APPLICATION UNDER SECTION 133 OF THE INCOME TAX ORDINANCE, 2001 IS NOT MAINTAINABLE AGAINST A TRIBUNAL'S REMAND ORDER, AS NO CONCLUSIVE FINDING OF LAW ARISES FROM IT

(2025) 132 TAX 181 = 2025 SLD 1353

LAHORE HIGH COURT, RAWALPINDI BENCH

MR. AMIR SAJJAD

vs.

COMMISSIONER INLAND REVENUE, JHELMUM ZONE AND OTHERS

Applicable Law:

Sections 111, 122, 122(9), 132, 132(4), and 133 of the Income Tax Ordinance, 2001.

Brief Facts:

The applicant filed his income tax return for 2018, declaring foreign income as exempt. The department discovered undeclared property purchases and foreign remittances, leading to an amended assessment with a significant tax liability. The applicant's appeals before the Commissioner (Appeals) and the Appellate Tribunal Inland Revenue (ATIR) were dismissed. Subsequently, the High Court, in a previous reference (I.T.R. No. 01/2024), set aside the ATIR's order and remanded the case back to it with specific directions to determine whether a notice under Section 111 was issued before the show-cause notice under Section 122(9), and to decide the case in light of the Supreme Court's judgment in *Millat Tractors Ltd.*. The ATIR, instead of deciding the case on merits, passed the impugned order and further remanded the matter to the Assessing Officer for *de novo* proceedings. The applicant challenged remand back order of the ATIR through the instant reference application under Section 133 of the Ordinance.

Decision:

The Lahore High Court dismissed the reference application as not maintainable. The Court held as follows:

- A reference under Section 133 of the Ordinance is maintainable only against a final order of the Appellate Tribunal passed under Section 132. A remand order, which sends the case back to a lower forum for fresh proceedings, does not constitute a final decision on the rights and liabilities of the parties.
- Since the Tribunal's remand order did not give any conclusive finding on the merits of the case, no substantive "question of law" arises from it that can be referred to the High Court for opinion.

- Section 132(4)(b) of the Ordinance expressly empowers the Tribunal to "remand the case to the Commissioner for making such enquiry or taking such action as the Tribunal may direct." The Tribunal was therefore acting within its statutory authority.
- The Court relied on established precedent, i.e. *Commissioner Inland Revenue, Multan v. Bank Al-Habib Ltd.* (2016 PTD 2548), which firmly holds that a reference against a remand order is not maintainable. Other supporting cases include *Haji Muhammad Yousaf* (2006 PTD 72) and *E.M. Oil Mills* (2011 PTD 2708).
- The case of *Chairman, WAPDA, Lahore v. Gulbatkhan* (1996 SCMR 230), relied upon by the applicant, was distinguished as being based on entirely different facts and not applicable to the present case.
- Reference application was dismissed as the same was not maintainable.

2. EXEMPTION FROM AUDIT UNDER CLAUSE (105A) OF PART IV OF THE SECOND SCHEDULE IS PROSPECTIVE AND APPLIES ONLY IF THE PREVIOUS AUDIT WAS IN ONE OF THE FOUR IMMEDIATELY PRECEDING TAX YEARS

(2025) 132 TAX 195 = 2025 SLD 1917

ISLAMABAD HIGH COURT

HOTEL MARGALA (PRIVATE) LIMITED

vs.

CHIEF COMMISSIONER INLAND REVENUE, LTO, ISLAMABAD, ETC.

Applicable Law:

- Income Tax Ordinance, 2001: Sections 74, 105A, 177, 214C
- Constitution of Pakistan, 1973: Articles 4, 18, 25, 199

Brief Facts:

The petitioner, a private limited company, received a notice dated 31.08.2023 under Section 177(1) of the Income Tax Ordinance, 2001, selecting its tax affairs for

audit for the Tax Year 2022. The petitioner challenged this notice, claiming exemption under Clause (105A) of Part IV of the Second Schedule (inserted by the Finance Act, 2022). This clause exempts a person from audit under Sections 177 and 214C if the income tax affairs have been audited in "any of the preceding four tax years." The petitioner's last audit was conducted for Tax Year 2015, which was completed in 2020.

The petitioner argued that:

- (a) the four-year period should be calculated from the year of *completion* of the audit (2020), thus barring any audit until 2024; and
- (b) Clause (105A), being beneficial legislation, should apply retrospectively.

The respondent department contended that the clause applies prospectively from 01.07.2022 (Tax Year 2023) and that the exemption is triggered only if the audit was for one of the four tax years immediately preceding the current year (i.e., 2018-2021 for TY 2022), not based on the year of completion.

Decision:

The Islamabad High Court dismissed the writ petition, upholding the audit notice. The Court held as follows:

- The exemption under Clause (105A) is calculated based on the specific **tax year** that was audited, not the calendar year in which the audit was finalized. Since the petitioner's last audit was for Tax Year 2015, it did not fall within the "preceding four tax years" (2018, 2019, 2020, 2021) relative to the current year under audit (TY 2022). Therefore, the exemption was not applicable.

- For a fiscal statute to have retrospective effect, it must be expressly stated or be clarificatory in nature. Clause (105A) contains no such language indicating retrospective application and thus applies only prospectively from the Tax Year it was introduced (TY 2023).
- The Court noted that a circular issued by the FBR, which suggested calculating the four-year period from the date of audit completion, had already been discarded by the Sindh High Court as it conflicted with the plain language of the main statute.
- Mere selection for audit under a self-assessment regime does not, by itself, constitute an actionable injury or violation of fundamental rights. The process is designed to ensure the veracity of tax returns and is a valid exercise of statutory power.
- The Court relied on *CIR, Sialkot v. Allah Din Steel & Rolling Mills (2018 SCMR 1328)* to affirm that audit selection is a legitimate tool and on *RAJBY Industries Karachi v. Federation (2023 SCMR 1407)* to reinforce the principle that fiscal statutes are presumed to be prospective unless expressly stated otherwise.
- Writ Petition dismissed as devoid of merit.

Sales Tax Act, 1990

A. Notifications

1. S.R.O. 1429(I)/2025 dated August 4, 2025

Pursuant to changes brought through Finance Act 2025 regarding obligation to withhold sales tax on payments against digitally ordered goods, FBR has notified further amendments in Sales Tax Rules, 2006 whereby a new Chapter XIV-E is introduced regarding withholding obligation for payment intermediary and courier company in case of digitally ordered goods through online marketplace, website, or any similar application where payment is made online or through Cash on Delivery (CoD).

Key amendments, identifying responsibility of online marketplace, payment intermediary and courier services, intending to settle payment of digitally ordered taxable goods, are as under:

- The payment intermediary or courier must withhold sales tax under the Eleventh Schedule and remit the balance to the supplier or vendor.
- If the withholding agent is a payment intermediary, it shall deposit the sales tax withheld by the 10th of the following month, electronically file monthly statement (Form STR-35) by providing details of the suppliers or vendors and the digitally ordered supplies made during that month.
- If the withholding agent is a Courier company, it shall deposit the sales tax withheld by the 10th of the following month, electronically file monthly statement (Form STR-36) by providing details of the suppliers or vendors and the digitally ordered supplies made during that month.
- For digitally ordered taxable supplies made through an online marketplace, the marketplace in Pakistan shall electronically file Form STR-34 by the 10th of the following month, detailing supplier-wise orders processed and taxable goods delivered during the month.

- In case Online Market Place (OMP) is also providing Courier services it shall also file a statement required to be filed by couriers as specified in sub-rule (3).
- The payment intermediary or courier shall issue a certificate to the supplier or vendor specifying the name and registration number, details of the digitally ordered goods and the amount of sales tax deducted and deposited.
- The newly introduced forms as mentioned above can be accessed at this [Link](#).

2. SRO. 1852(I)/2025 dated September 24, 2025 and SRO. 1413(I)/2025 dated August 1, 2025

Under Rule 150Q of the Sales Tax Rules, 2006, electronic integration was initially made applicable to registered persons in the FMCG sector only through SRO 28 dated January 10, 2024. Subsequently, through SRO 709(I)/2025 dated April 22, 2025, the scope was expanded and required corporate registered persons to integrate by June 1, 2025 and non-corporate registered persons by July 1, 2025.

However, through SRO 1413(I)/2025 dated August 1, 2025, FBR superseded SRO 709(I)/2025 and directed that all specified categories of sales tax registered persons must complete registration, testing, and issuance of electronic invoices by the dates set out in the notification. The integration must be carried out through a licensed integrator or PRAL. However, timelines are now further revised through this SRO.

Timeline prescribed are as follows:

S No.	Category of Registered Person	Registration Date	Testing Date	Issuance of Electronic Invoice Date
1	All public companies	October 15, 2025	October 25, 2025	November 1, 2025
2	All companies (other than public) with turnover > Rs. 1 billion	October 15, 2025	October 25, 2025	November 1, 2025

S No.	Category of Registered Person	Registration Date	Testing Date	Issuance of Electronic Invoice Date
	declared in sales tax returns for the last twelve months			
3	All importers	October 15, 2025	October 25, 2025	November 1, 2025
4	Companies with turnover > Rs. 100 million but ≤ Rs. 1 billion declared in sales tax returns for the last twelve months	October 25, 2025	October 31, 2025	November 15, 2025
5	Companies (other than public) with turnover ≤ Rs. 100 million declared in sales tax returns for the last twelve months	November 15, 2025	November 25, 2025	December 1, 2025
6	Individuals and AOPs with turnover > Rs. 100 million declared in sales tax returns for the last twelve months	October 10, 2025	October 25, 2025	November 1, 2025
7	All other registered persons not covered above	December 10, 2025	December 25, 2025	December 31, 2025

B. Reported Decisions

1. SUPPLIES MADE TO PERSONS WHO HAD OBTAINED REGISTRATION EVEN IF LATER SUSPENDED OR BLACKLISTED DID NOT FALL WITHIN THE SCOPE OF SECTION 3(1A) OF THE ST ACT WHICH APPLIES ONLY TO SUPPLIES MADE TO UNREGISTERED PERSONS.

2025 TAX 146

SUPREME COURT OF PAKISTAN

M/S RAFHAN MAIZE PRODUCTS CO. LIMITED

VS

THE APPELLATE TRIBUNAL INLAND REVENUE, MULTAN AND OTHERS

Applicable provisions: Section 2(14), 3(1A), 6, 7, 22, 23, 26, 11(2), 33, 34(1) and 47 to the Sales Tax Act, 1990 (the Act)

Brief facts:

The Petitioner is a subsidiary of a multinational company engaged in the sale of food products. Upon scrutiny of their filed sales tax returns for various tax periods in 2013 and 2014, the Deputy Commissioner Inland Revenue (DCIR) alleged that the petitioner failed to charge and deposit further tax at the rate of 1% under section 3(1A) of the ST Act on supplies made to unregistered persons. A show cause notice was issued in this regard. The petitioner contended that all supplies were made only to registered persons and furnished supporting documentation. The DCIR partially accepted the contention and passed the order levying further tax including cases where supplies were made to registered persons whose statuses were inactive, blacklisted or suspended. Being aggrieved, the petitioner approached the Commissioner (Appeals) and Appellate Tribunal who provided partial relief but maintained a substantial demand.

A reference under section 47 of the ST Act was filed before the High Court raising three legal questions:

- whether ATIR's non-speaking order upholding levy of further tax was lawful,
- whether the 2022 amendment to section 3(1A) inserting the phrase "or he is not an active taxpayer" could be applied retrospectively to tax periods 2013–2014, and
- whether supplies made to registered persons who were blacklisted or suspended could still attract further tax.

The High Court answered against the petitioner on the first issue, declined to answer the second, and remanded the third to ATIR. Being aggrieved, the petitioner came up with this petition before the Supreme Court. Bottom of Form

Decision:

The Supreme Court converted the petition into appeal and allowed in favor of the petitioner and set aside the judgement of the Lahore High Court.

The Court emphasized on the principle of strict construction in fiscal statutes after analyzing section 3(1A) of the Act. The Court further reiterated that no tax can be imposed unless expressly provided by clear statutory language and that nothing can be read into or implied in taxing provisions.

The Court held that section 3(1A) applied strictly to supplies made to persons “who have not obtained registration.” Where a recipient had obtained registration, the fact of later suspension, blacklisting, or inactive taxpayer status could not convert such a person into an “unregistered” one for the purposes of levying further tax.

The retrospective application of the 2022 amendment was also rejected, as the statute in force at the relevant period was confined only to unregistered persons.

Consequently, ATIR’s interpretation of section 3(1A) was declared legally flawed and held that supplies made to registered persons, regardless of their later compliance status, could not be subjected to further tax.

2. SUBSEQUENT BLACKLISTING OF ACTIVE VENDORS IF COMPLIED WITH SECTION 73 OF THE ACT, DOES NOT AFFECT ADJUSTMENT OF INPUT TAX

2025 TAX 189

SINDH HIGH COURT

M/S. RAMADA INDUSTRIES (PVT) LTD., KARACHI

VS

THE COMMISSIONER INLAND REVENUE

Applicable provisions: 7, 8, 8(1)(ca), 8A, 21(3), 33(11), 33(13), 47(5) and 73 to the ST Act, 1990.

Brief Facts:

In the instant case, the Applicant has challenged the order of the Appellate Tribunal which upheld disallowance of input tax under sections 7 and 8 of the ST Act. The disallowance was made on the grounds that the suppliers of the applicant were subsequently suspended or blacklisted and that the tax collected was allegedly not deposited into the government treasury.

The applicant argued that at the time of purchase the suppliers were duly active and operative on FBR’s web portal. Payments were made through proper banking channels in compliance with section 73 of the Act and the tax invoices were issued lawfully. It was further contended that the department accepted sales/output tax but denied the corresponding input tax which related to raw materials for taxable supplies, and that no proper findings were recorded with respect to the penalty imposed under section 33(11) and 33(13).

The reference raised questions on whether such denial of input tax was lawful when suppliers were active at the time of supply, whether section 8(1)(ca) could be invoked without recourse to section 8A of the Act and whether the approach of accepting output tax while disallowing input tax was legally sustainable.

Decision:

The Sindh High Court decided the case in favor of the applicant on the basis of judgement of Supreme Court in case of Eagle Cables (Pvt.) Ltd.

The Court held that input tax cannot be denied where suppliers were active at the time of supply even if they were later suspended or blacklisted, provided that payments were made through legitimate banking channels under section 73.

The Court clarified that section 8(1)(ca) of the Act which restricts input tax in cases where the supplier has not deposited tax must be read in conjunction with section 8A of the Act. Before invoking section 8(1)(ca), the department must first establish through proceedings under section 8A that the buyer had knowledge or reasonable grounds to suspect that the supplier would not deposit the tax. Without such a determination, disallowance of input tax is premature and contrary to legislative intent.

The Court also emphasized that section 7 permits input tax on tax “paid or payable,” meaning that subsequent non-deposit by the supplier does not automatically extinguish the purchaser’s entitlement. It noted that any other interpretation would unfairly penalize bona fide taxpayers and undermine the scheme of the Act.

Contact Us

For more information you may contact

Atif Mufassir

Partner – National Leader Tax & Legal
Karachi Office
Email: amufassir@yousufadil.com

Zubair Abdul Sattar

Partner Tax & Legal
Karachi Office
Email: zsattar@yousufadil.com

Rana Usman Khan

Partner
Lahore Office
Email: rmukhan@yousufadil.com

Imran Ali Memon

Partner Tax & Legal
Karachi Office
Email: immemon@yousufadil.com

Arshad Mehmood

Senior Advisor Tax & Legal
Karachi Office
Email: amehmood@yousufadil.com

Sufian Habib

Executive Director Tax & Legal
Islamabad Office
Email: sufianhabib@yousufadil.com

Muhammad Shahzad Hussain

Partner Business Process Solutions
Karachi Office
Email: muhahussain@yousufadil.com

Our Offices

KARACHI

Cavish Court, A-35, Block 7 & 8
KCHSU, Shahr-e-Faisal
Karachi - 75350, Pakistan

 Phones: + 92 (21) 34546494-97

 Fax: + 92 (21) 34541314

 Email: sghazi@yousufadil.com

ISLAMABAD

#18-B/1
Chohan Mansion, G-8 Markaz
Islamabad, Pakistan

 Phones: + 92 (51) 8350601,
+ 92 (51) 8734400-3

 Fax: + 92 (42) 35440521

 Email: shahzad@yousufadil.com

LAHORE

134-A, Abubakar Block New
Garden Town, Lahore, Pakistan

 Phones: + 92 (42) 35440520

 Fax: + 92 (42) 35440521

 Email: rmukhan@yousufadil.com

MULTAN

4th Floor Mehr Fatima Tower,
Opp. High Court,
Multan Cantt, Multan, Pakistan

 Phones: + 92 (61) 4571131-2

 Fax: +92(61) 4571134

 Email: rmukhan@yousufadil.com

About Yousuf Adil

Yousuf Adil, Chartered Accountants provides Audit & Assurance, Consulting, Risk and Financial Advisory and Tax & Legal services, through over 725 professionals in four cities across Pakistan.

For more information, please visit our website at www.yousufadil.com

This publication contains general information only. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this publication, and nor the Firm, its employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this publication.