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## **Post–budget seminar at KTBA: Implementation challenges, constitutional concerns highlighted**

**KARACHI:** Leading tax practitioners and legal experts at a post-budget seminar on Tuesday highlighted implementation challenges and constitutional concerns surrounding the federal budget 2025-26.

Speakers at a post-budget seminar organized by KTBA were Abid H Shaban, advocate, Supreme Court of Pakistan; Haider Ali Patel, Partner, EY Ford Rhodes; Adnan Mufti, Partner, Moore Shekha Mufti; Muhammad Raza, Partner, AF Ferguson & Co, and Ali A Rahim, President, Karachi Tax Bar Association (KTBA).

Zubair Bilal, Chief Commissioner IR-LTO Karachi, attended the seminar as chief guest, while Anwar Kashif Mumtaz, President of Pakistan Tax Bar Association (PTBA), and Abdul Qadir Memon, Chairman PTBA Academy of Taxation, served as guests of honour.

Speakers outlined Pakistan’s entry into digital economy taxation as the most significant development in the Finance Bill, saying the government had introduced two major digital tax measures: a five percent Digital Presence Proceeds Tax on foreign vendors with significant digital presence in Pakistan, and varying rates of 0.25 percent to two percent on domestic digital transactions.

However, they also criticized the e-commerce taxation framework as “another shortcut and compromise” similar to previous failed measures, warning that the abrupt rollout without proper rules has created implementation challenges.

The tax experts pointed out multiple technical issues plaguing the e-commerce tax structure, including questions about constitutional validity of taxing “digitally

delivered goods” and whether essential items like groceries fall under the two percent rate, highlighting implementation problems include parallel bookkeeping requirements, handling post-sale returns, and expecting banks and couriers to resolve customer disputes.

Similarly, they also talked about the unprecedented expansion of tax administration powers, expressing particular concern about new recovery provisions allowing immediate tax collection once matters are decided by higher courts.

“The statute of limitations for amendment orders has been eliminated, while new powers allow FBR to attach bank accounts and assets just seven days after High Court orders favouring the tax department”.

The government has introduced the option to post Inland Revenue Officers at business premises for monitoring, raising concerns about potential harassment and corruption, despite existing extensive search and seizure powers, they said.

While the Finance Bill provides some relief through tax rate reductions for salaried individuals and reduced surcharge rates, tax experts pointed out that pension taxation has been significantly altered. All previous exemptions on pension receipts have been withdrawn, with only the first Rs 10 million remaining tax-free for employer pensions.