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FINANCE BILL V/S FINANCE ACT 2026-2027

KEY AMENDMENTS, REVISIONS AND NEW INSERTIONS

RESEARCH AND PUBLICATIONS DEPARTMENT
INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

PREAMBLE

The Federal Budget for 2026–27 was presented on June 10, 2026. In response, ICMA promptly developed a detailed budget commentary titled “An Insight on Economic Survey 2025–26 and Finance Bill 2026.” This document was based on the Economic Survey, Budget Speech, and Finance Bill released by the Ministry of Finance.

The commentary was prepared under the supervision of Mr. Azeem Hussain Siddiqui (President, ICMA), with significant contributions from Mr. Mazhar Saleem Shah (Vice Chairman, Karachi Branch Council), Mr. Muhammad Asif, FCMA, and Mr. Asif Riffat. Thanks to their dedication and swift efforts, ICMA published the commentary the next day after the budget announcement, ensuring timely insights for its members and stakeholders.

After the release of the Finance Act 2026, the same team came together once again to produce this follow up publication titled “Finance Bill v/s Finance Act 2026–27: A Comparative Review.” Unlike the earlier commentary, this publication provides a structured comparison of proposals in the Finance Bill with the provisions finally enacted through the Finance Act. It highlights major changes made during the budget approval process, including amendments in income tax, sales tax, excise duty, property and capital gains, digital economy taxation, and enforcement measures.

We trust that this comparative review will serve as a practical and reliable reference for the CMA community, tax professionals, and policymakers. While every effort has been made to ensure accuracy and completeness, we welcome feedback to further enhance its value in the future.

FROM THE DESK OF

PRESIDENT ICMA

I am pleased to present this publication titled "Finance Bill v/s Finance Act 2026–27: A Comparative Review," which provides a structured analysis of the key changes introduced during the transition from the Finance Bill to the Finance Act. This review covers amendments in income tax, sales tax, excise duty, property and capital gains, digital economy taxation, and enforcement measures, effective from July 1, 2026.

At this critical stage of Pakistan's economic journey, professional engagement and informed policy advice are essential. ICMA remains committed to supporting national economic development through technical expertise, research, and active participation in fiscal and policy dialogue.

I would like to express my sincere appreciation to Mr. Mazhar Saleem Shah (Vice Chairman, Karachi Branch Council), Mr. Muhammad Asif, FCMA, and Mr. Asif Riffat for their valuable contributions in reviewing the amendments and compiling this comparative review. Their professional insight and dedication have ensured the quality and relevance of this publication for our members and broader stakeholders.

Azeem Hussain Siddiqui, FCMA
President, ICMA

1 Section 2(6)- Authorised Shipping Agent

Proposal in Finance Bill 2026	Enacted through Finance Act 2026
Defined authorised shipping agent to include a person authorized "expressly or impliedly" by a non-resident ship owner, charterer or operator. (Sec. 2(6), p. 46)	The words "expressly or impliedly" were removed, limiting the scope to formally authorized agents and reducing unintended tax exposure. (Sec. 2(6A), p. 30)

2 Section 2(19DA)- Electronically Readable Format

Proposal in Finance Bill 2026	Enacted through Finance Act 2026
Introduced the definition of electronically readable format, including CSV, XLSX, XML, XBRL, JSON and other structured or semi-structured formats. (Sec. 2(19DA), p. 47-48)	The phrase "but not limited to" was inserted after "including," making the list illustrative rather than exhaustive. (Sec. 2(19DA), p. 31)

3 Section 7G- Tax on Certain Payments Made by Life Insurance Business

Proposal in Finance Bill 2026	Enacted through Finance Act 2026
Proposed to insert new Section 7G to tax life insurance and takaful payouts, surrender value, maturity proceeds or similar payments received by individuals, after reducing premiums or contributions paid. The proposed exemption applied where the payout was made on death, disability, or after completion of seven years from issuance of the policy, certificate or plan. (Sec. 7G, p. 49-50)	The Finance Act retained the new Section 7G but amended sub-section 3(c) by reducing the exemption holding period from seven years to four years. Accordingly, payouts from life insurance policies, family takaful certificates or plans fall outside this tax after completion of four years from issuance, instead of seven years. (Sec. 7G, p. 32-33)

4 Section 53A- Rationalization of Rates of Withholding Taxes

Proposal in Finance Bill 2026	Enacted through Finance Act 2026
Proposed to allow the Federal Government to reduce withholding tax rates in the nature of minimum tax up to 1% on the basis of economic viability. (Sec. 53A, p. 50)	The Finance Act inserted a new sub-section (3) in Section 53A to define "economic viability," including anticipated net loss of business income due to tax burden, certified by a Category-A chartered accountant firm rated by SBP. (Sec. 53A, p. 33)

5 Section 92-Taxation of Association of Persons

Proposal in Finance Bill 2026	Enacted through Finance Act 2026
Proposed that where income of an LLP is exempt, any amount received by a member of the LLP shall be taxable in the hands of the member. (Sec. 92, p. 52)	The amended language provides that such share from exempt LLP profits shall be included in the member's income. (Sec. 92, p. 35)

6 Section 159-Tax Exemption and Reduced Rate Certificate

Proposal in Finance Bill 2026	Enacted through Finance Act 2026
Proposed exemption / lower-rate certificates for CIS, REIT schemes and SPVs where 90% accounting income was distributed for the last three years. (Sec. 159, p. 64)	The lookback period was reduced to the year immediately preceding the last tax year. New businesses may obtain certificates on the basis of an undertaking to distribute 90% income. (Sec. 159, p. 44)

7 Clause (24D)- Minimum Tax Rate

Proposal in Finance Bill 2026	Enacted through Finance Act 2026
Proposed concessional minimum tax rate of 0.5% under Section 113 for distributors, dealers, sub-dealers and wholesalers dealing in five product categories, namely packaged food, fertilizers, locally manufactured mobile phones, sugar and electronics. (Clause (24D), p. 89)	The Finance Act retained the 0.5% minimum tax rate but expanded the eligible product list from five to fourteen categories (Clause (24D), p. 60-61)

Additional Insertions in Finance Act 2026-27

Private equity and venture capital funds: A new exemption was inserted for PE/VC funds registered under the Private Funds Regulations, 2015, subject to 90% annual distribution of accounting income. (Inserted Clause 99C, p. 59)

Super tax relief for export-oriented businesses: A new clause (104B) was inserted in Part IV of the Second Schedule, providing that Section 4C shall not apply to a person whose export proceeds realized for the tax year represent more than 80% of total turnover for that tax year. (Inserted Clause 104B, p. 61)

Approved charitable institutions list: Pakistan Red Crescent Society, Shaheen Foundation PAF, Dawat-e-Hadiya, Pakistan Navy Benevolent Association, Sindh Institute of Urology and Transplantation, Employees' Social Security Institutions of Provincial Governments, Workers' Welfare Fund Organizations of Provincial Governments, Make-A-Wish Foundation and Quaid-i-Azam Mazar Management Board. (after Sr. No. (lii), p. 59)

8 Digital Economy & E-Commerce Taxation

Proposal in Finance Bill 2026	Enacted through Finance Act 2026
Proposed to insert Section 154B to introduce withholding tax on revenues received from social media platforms, including income of digital content creators and social media influencers. (Sec. 154B, p. 63)	The Finance Act inserted Division IIIAB in Part III of the First Schedule and fixed the withholding tax rate under Section 154B at 5% of the gross receipts. (Sec. 154B, Division IIIAB, p. 57)
For digital transactions under Section 6A, withholding tax was proposed to become adjustable only for persons whose turnover exceeds Rs. 200 million. (Sec. 6A, New Sub-Section (3), p. 49)	Taxpayers with turnover up to Rs. 200 million were given the option to opt out of the final tax regime at the time of filing return from tax year 2027 onward. (Sec. 6A, New Sub-Section (3), p. 32)

9 Levy Adjustments: Petroleum & Fuel Sector

Proposal in Finance Bill 2026	Enacted through Finance Act 2026
Payment of Petroleum Levy and Climate Support Levy was proposed to be treated as a condition of OGRA license, while the existing recovery provision under Section 3(3) was proposed to be omitted. (Sub-Section 3, p. 5)	The proposed OGRA-linked levy framework was not retained, as the entire Petroleum Levy Ordinance clause was omitted. (Sub-Section 3, point 3, p. 50)
New Sections 3B and 3C were proposed for late payment surcharge and recovery mechanism. (Petroleum Products Ordinance, Sec. 3B & Sec. 3C, Point 3, p. 5-6)	The Petroleum Levy Ordinance clause was omitted in its entirety; therefore, the proposed new Sections 3B and 3C were not retained. (Petroleum Products Ordinance, Sec. 3B & 3C, p. 64)
New Section 4A was proposed for monthly levy payment statement and annual audit certification. (Petroleum Products Ordinance, Sec. 4A, p. 7)	The proposed mandatory reporting mechanism was not retained. (Petroleum Products Ordinance)

10 Sales Tax & Excise Adjustments

Proposal in Finance Bill 2026	Enacted through Finance Act 2026
Proposed sales tax collection from steel melters, steel re-rollers and composite units on the basis of per-unit electricity consumption. (Sales Tax Act, Section 6, Sub-Section (2), p. 16)	The proviso was replaced to include captive/alternative energy, lower rates for compliant digital units, and benchmark-based rate setting. (Sales Tax Act, Section 6, Sub-Section (2), p. 10)
Proposed an Independent Case Scrutiny Committee under the Sales Tax Act for litigation approval. (Sales Tax Act, Sec. 47AAA, p. 32)	The Committee may co-opt a chartered accountant as a non-voting member, and the approval period will be excluded while computing limitation. (Sales Tax Act, Sec. 47AAA, p. 21)
Proposed an exception to confidentiality rules allowing the Board to share sector-wise sales tax return data among registered persons under non-disclosure conditions. (Sales Tax Act, Sec. 56B, Sub-Section 3, Point 16, p. 33)	The Finance Act withdrew this exception, preserving the existing confidentiality framework. (Sales Tax Act, Sec. 56B, Sub-Section 3)
Proposed addition of several goods to the Third Schedule, including footwear and other retail products. (Sales Tax Act, Third Schedule, p. 36)	Footwear manufacturers selling exclusively through digitally integrated and POS-compliant outlets were excluded from retail-price-based Third Schedule treatment; certain plastic flat-shape products were also excluded and household utensils were restricted to retail-sale items. (Sales Tax Act, Third Schedule, p. 23)
The Sixth Schedule was proposed to be amended to exempt newsprint, books and magazines but excluding brochures, leaflets and directories under tariff headings 4902.1000 and 4902.9000, extend CKD kit exemption for electric four-wheelers till 30 June 2027, and widen exemption for import or lease of aircrafts and parts by PIACL. (Sales Tax Act, Sixth Schedule, Point 18, p. 38, 105-106)	Wheat bran and rice bran were added to exempt items. Exemption for import or lease of aircrafts and parts was extended to any airline company registered in Pakistan, effective from 1 July 2027. (Sales Tax Act, Sixth Schedule, Point 5, p. 25-26)

Proposal in Finance Bill 2026	Enacted through Finance Act 2026
Proposed 3% value addition tax consequences where raw materials/ intermediary goods imported for in-house consumption are supplied in the same state. (Sales Tax Act, Twelfth Schedule, p. 45-46)	A reduced 1% minimum value addition tax was introduced for import of coal exclusively and directly supplied to Independent Power Producers. (Sales Tax Act, Twelfth Schedule, Sub-Section 6, p. 29)
Proposed Special Excise Duty on imported motor cars, SUVs and other vehicles above 2000cc at 40% for 2000cc-3000cc and 41% for above 3000cc. (Federal Excise Act, Table IA, p. 106)	The Finance Act raised the rates to 92% for 2000cc-3000cc and for above 3000cc. (Federal Excise Act, Table- IA, p. 75)
Duty was proposed on imported electric cars, electric SUVs and electric pickup vehicles in CBU condition of import value including Custom Duty: 0% up to PKR 20 million, 30% above PKR 20 million up to PKR 30 million, and 40% above PKR 30 million. (Federal Excise Act, First Schedule, Point d, p. 103)	PKR-based value slabs were replaced with USD-based slabs: 0% up to USD 75,000, 30% above USD 75,000 up to USD 110,000, and 40% above USD 110,000. (Federal Excise Act, First Schedule, Point d, p. 72)
Proposed Rs. 80 per litre duty on petroleum top naphtha, white spirit/ mineral turpentine oil and solvent oil, collectible in sales tax mode. (First Schedule, g, p. 104)	Exemption was introduced for white spirit and solvent oil used in specified industrial manufacturing processes, subject to Form-L licensing, digital invoicing/integration and approved quota conditions. (First Schedule, g, p. 73)

Additional Insertions in Finance Act 2026-27

Imported mobile phones: Individuals liable to pay tax through PTA/DIRBS were allowed to pay such tax in installments before the end of the relevant financial year. (Ninth Schedule, under LIABILITY, PROCEDURE AND CONDITIONS, p. 28)

11 Property, Capital Gains & Stamp Duty Measures

Proposal in Finance Bill 2026	Enacted through Finance Act 2026
Proposed cost mechanism for inherited immovable property based on fair market value on the date of death of original owner. (Sec. 76(8A), Point 10, p. 52)	The amended version shifted the valuation trigger to the transfer of property to the beneficiary. (Sec. 76(8A), Point 10, p. 34)
Proposed recognition of family settlement on death as transmission of immovable property for non-recognition purposes. (Sec. 79(1), Point 11, p. 52)	The amended version broadened the language beyond immovable property, allowing wider asset transmission through family settlement. (Sec. 79(1), Point 11, p. 34-35)

12 Administrative Powers & Enforcement Controls

Proposal in Finance Bill 2026	Enacted through Finance Act 2026
Proposed an Independent Case Scrutiny Committee shall comprise of a retired judge of the Supreme Court of Pakistan, an advocate not less than 15 years of experience and senior serving or retired officer of the FBR (BS 20 or above) for approval of references, appeals and reviews before higher courts. (Sec. 133A, Point 3a,b,c, p. 56)	The amended version added under the senior serving or retired officer of the FBR that the committee may co-opt a chartered accountant as a non-voting member; whenever required. (Sec. 133A, Point 3a,b,c, p. 38)
Proposed that Commissioner may require re-audit, inventory valuation or actuarial valuation in complex audit cases through nominated professionals. (Sec. 177 under Sub-Section (6B), p. 69)	Taxpayers were given the right to object within 15 days to a nominated accountant or cost accountant. If the Commissioner accepts the objection, the nominee may be changed. (Sec. 177 under Sub-Section (6B), p. 47-48)
Proposed stricter penalties for non-filing, failure to produce records, misleading statements, concealment, withholding tax defaults and incomplete documents. The penalty for the first time default would be PKR 1 million. (Sec. 182 (2A), p. 70)	Penalty for non-maintenance of accounts was modified to 1% of turnover or Rs. 1 million, whichever is higher, for first default, with higher subsequent defaults and personal liability of principal officers/CEOs. (Sec. 182 (2A), p. 48)

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