

# Tax Newsletter

## Daily Alert Service

**Huzaima & Ikram**  
October 13, 2025

This daily newsletter service (Monday to Friday) is aimed at keeping you informed about tax and fiscal matters. It contains news, legislative changes, case-law, in-depth articles and analyses covering all areas of taxes at domestic and international levels. Every month, **Taxation**, one of our prime publications, is printed containing some of these and other useful material on taxes. **Taxation** is sent through courier. The digital version is also made available at [www.aacp.com.pk](http://www.aacp.com.pk).

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v.

Danish Zaheer and others

Kind Regards,

**Huzaima Bukhari**  
Editor

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## THE RETROSPECTIVE PUZZLE IN TAX JURISPRUDENCE: INSIGHTS FROM TWO CONTRASTING JUDGMENTS

by  
Sharjeel Tareef\*

The intricate world of tax legislation, with its constant amendments and shifting interpretations, often presents a complex challenge for businesses and legal scholars alike. At the heart of many fiscal disputes lies the contentious issue of retrospective application: when can a new law or amendment reach back in time to govern past transactions? Two recent judgments from Pakistan, “*Messrs Nishat Chunian Ltd. and another versus Commissioner Inland Revenue, LTU, Lahore*” (2025 P T D (Trib) 1448) and “*Messrs Gadoon Textile Mills Limited and others versus Federation of Pakistan and 2 others*” (2025 P T D 1465), offer a fascinating exploration of this principle, revealing both shared wisdom and distinct applications in the realm of tax credit for investment.

The core legal point under scrutiny in both cases revolves around *Section 65B of the Income Tax Ordinance, 2001*, which provides for tax credits on investments. The central question is whether amendments to this section, specifically those expanding its scope or altering conditions for credit, can be applied retrospectively, thereby impacting tax liabilities or benefits for previous tax years. This question is not merely academic; it has profound implications for corporate financial planning, investment decisions, and the overall stability of the tax regime.

### **Nishat Chunian: A Strict Interpretation of Retrospectivity**

The Inland Revenue Appellate Tribunal’s judgment in the Nishat Chunian case, delivered on June 2nd, 2025, by Members Zahid Sikandar and Shafaqat Ali, adopted a stringent approach to retrospective application. The taxpayer argued that amendments made through the Finance Act, 2012, which added the words “extension” and “expansion” to Section 65B and allowed tax credit against minimum tax and final taxes, should be applied retrospectively as beneficial legislation.

The Tribunal, however, meticulously deconstructed this argument. Their reasoning was anchored in the established legal principle that retroactive legislation is generally viewed with disfavor due to its potential for injustice and oppression. While acknowledging that beneficial legislation is typically subject to liberal interpretation to advance its object, the

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Tribunal emphatically clarified that “beneficial” does not automatically equate to “retrospective.” For a beneficial law to operate retrospectively, it must possess a “curative or remedial content.” This means it must either clarify an existing ambiguity or supply an obvious omission, thereby being explanatory or clarificatory in nature.

In Nishat Chunian’s instance, the Tribunal found no such ambiguity or omission in the law prior to the 2012 amendment. The additions of “extension” and “expansion,” and the allowance of tax credit against minimum and final taxes, were deemed substantive amendments that merely enlarged the scope of the tax credit. There was nothing in the language of the amended Section 65B to suggest retrospective intent. The Tribunal emphasized that substantive amendments, in the absence of clear legislative intent to the contrary, operate prospectively. Consequently, the taxpayer’s appeal was dismissed, with the amendments being held as having prospective effect only.

The judicial philosophy underpinning the Nishat Chunian judgment is one of strict adherence to legislative intent and a cautious approach to disturbing settled legal positions. It underscores the importance of clear parliamentary drafting for retrospective application and protects against the potential for unforeseen liabilities or benefits arising from subsequent legislative changes.

### **Gadoon Textile Mills: Nuance in Vested Rights and Legislative Intent**

In contrast, the Peshawar High Court’s judgment in “Gadoon Textile Mills Limited versus Federation of Pakistan,” decided on September 7th, 2023, by Justices Abdul Shakoor and Syed Arshad Ali, offered a more nuanced perspective, particularly concerning vested rights.

This case involved a challenge to the constitutionality of amendments to Section 65B introduced by the Finance Act, 2019, and their retrospective applicability.

The High Court’s reasoning acknowledged the general principle against retrospective application, especially when it affects vested rights, past and closed transactions, or events that have already occurred. This principle, the Court noted, is particularly relevant to fiscal statutes, which are to be construed strictly. However, the Court also articulated a holistic approach to interpreting statutes, emphasizing that it’s not merely the wording in isolation, but also the dominant intention of the Legislature, the object indicated, the mischief to be cured, the nature of rights affected, and the circumstances under which the statute is passed that must be considered.

Crucially, the Gadoon Textile Mills judgment differentiated between the general prospective effect of the legislation and the protection of earned tax credits. The Court famously declared that “Tax credit once earned under a legal dispensation is a coin in the pocket/hands of taxpayer which can be adjusted against tax assessed against tax payer as per law allowing such adjustment.” This statement highlights a key judicial philosophy: once a right or benefit has genuinely accrued under existing law, subsequent amendments should not be allowed to arbitrarily extinguish it, absent a clear and compelling legislative directive.

The High Court ultimately declined to interfere in the legislation itself, recognizing its prospective effect. However, it carved out exceptions to protect taxpayers who had made investments and installed machinery by or prior to specific dates (June 30, 2018, and in some cases, June 30, 2021, for those with binding contracts and LCs). These taxpayers were deemed entitled to their tax credits under the un-amended Section 65B, reflecting a judicial commitment to safeguarding legitimate expectations and preventing the arbitrary deprivation of vested benefits.

### **Similarities and a Clear Vision**

Despite their differing outcomes, both judgments resonate with several core legal wisdoms regarding retrospective legislation. Both uphold the fundamental principle that statutes are generally prospective in effect, and retrospective application requires either express enactment or necessary intent. Both recognize the potential for injustice if laws are applied retroactively without due consideration.

The logic behind these positions is rooted in the need for legal certainty, predictability, and fairness in a tax system. Businesses make investment decisions and plan their finances based on the laws in effect at that time. Allowing subsequent amendments to retroactively alter these parameters can create an unstable environment, discourage investment, and lead to endless litigation.

However, the clear vision emerging from the two judgments also highlights a crucial distinction. While Nishat Chunian focuses on the nature of the amendment itself (substantive vs. curative/explanatory) to determine retrospectivity, Gadoon Textile Mills places a significant emphasis on the concept of “vested rights.” The wisdom from Gadoon suggests that even if an amendment is substantive and generally prospective, existing rights and benefits that have already crystallized in the hands of taxpayers under previous legal dispensations deserve protection. This is not about retrospectively applying the *amendment*, but about acknowledging the validity of *past actions* under the *law then in force*.

**Broader Impact**

The impact of these judgments on jurisprudence is significant. They reinforce the judiciary's role in carefully scrutinizing legislative intent and protecting fundamental principles of legal certainty. For legislation, these decisions serve as a potent reminder of the need for clarity when drafting amendments, especially if retrospective application is intended. Vague language or implied intent is unlikely to suffice.

Socially, the judgments send a mixed but ultimately beneficial message. Nishat Churian's strict approach might be seen as favoring the revenue's position, ensuring that tax benefits are not claimed retroactively without explicit legal backing. However, Gadoon Textile Mills' protection of vested rights offers reassurance to investors, indicating that their past legitimate investments will not be arbitrarily undermined by future legislative changes. This balance is crucial for fostering a predictable and fair economic environment.

In essence, these two cases from 2025 offer a masterclass in the delicate art of statutory interpretation. They demonstrate that while the general rule against retrospective application remains robust, the courts will meticulously examine the nature of the amendment, the legislative intent, and critically, the impact on vested rights, to ensure that the application of tax law is not only efficient but also just and equitable. The labyrinth of tax law, while complex, finds its guiding lights in these carefully reasoned judicial pronouncements.

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### **BID TO CLEAR BANNED INDIAN ORIGIN TEXTILE MACHINERY FOILED: FBR**

Collectorates of Customs Appraisalment & Enforcement Sunday foiled a bid to clear banned Indian origin textile machinery. The Collectorate of Customs, Appraisalment (West), Karachi and the Collectorate of Customs Enforcement Karachi, in a joint action, foiled a bid to clear banned Indian origin textile machinery, said Federal Board of Revenue in a statement here.

The Customs formations intercepted and examined a container at Karachi International Container Terminal declared to contain Chinese origin 'Textile Twisting machine' imported from Jebel Ali Dubai by a Karachi based textile manufacturer vide Goods Declaration (GD) No. KAPW-HC-62256 dated October 7, 2025. The alert for misdeclaration of origin was generated by the new Risk Management System RMS 2.0 deployed on test run by FBR at Karachi Port. Upon receipt of alert, the consignment was marked for physical examination by the clearance collectorate.

The declared country of origin was China; however, upon physical checking, the goods have been found to be of Indian origin. The consignment comprises new Textile Twisting Machine with 576 spindles, along with all standard accessories and essential parts, imported in Semi-Knocked Down (SKD) condition.

It was observed that the manufacturer's plates and specification markings had been deliberately removed/scratched to hide its actual origin which turned out to be of Indian Origin. Accordingly, a case of mis-declaration of origin has been made out and legal proceedings have been initiated. The assessed value of impugned goods is \$85107. This detection manifests the alertness of Customs collectorates against attempts of import of Indian origin goods routed from transshipment ports and testifies efficacy of upgraded RMS being developed by FBR.  
[Courtesy.nation.com.pk](http://Courtesy.nation.com.pk)

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### **FBR COLLECTS RS422BN INCOME TAX ON IMPORTS IN FY25**

The Federal Board of Revenue (FBR) has reported a substantial increase in withholding income tax collection on imports, reaching Rs422.42 billion during fiscal year 2024-25. This marks an impressive growth of 11.36 percent compared with Rs379 billion collected in the previous fiscal year.

According to official data, the FBR collected the withholding income tax on imports under Section 148 of the Income Tax Ordinance, 2001. The

strong performance highlights the revival of import activity and improved tax enforcement measures.

FBR officials noted that withholding tax on imports remains one of the major revenue sources for the department. However, in recent years, this collection had declined due to government restrictions on imports. The recent rebound reflects both the relaxation of import curbs and enhanced monitoring at customs points.

Sources within the FBR stated that, although the overall volume of imports increased during the year, the rise in collection was also due to administrative reforms and the introduction of new levies targeting under-invoicing and misdeclaration.

Pakistan's total imports grew by 6.58 percent to \$58.38 billion during FY25, compared with \$54.80 billion in FY24. In rupee terms, imports rose by 5.37 percent to Rs15.48 trillion, underscoring the FBR's improved efficiency in capturing tax revenue from growing import transactions. [Courtesy. pkrevenue.com](https://www.pkrevenue.com)

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### **FBR IMPLEMENTS ELECTRONIC SCRUTINY FOR SALES TAX COMPLIANCE**

The Federal Board of Revenue (FBR) has introduced a comprehensive electronic scrutiny system for taxpayers under the Sales Tax Act, 1990, aimed at improving accuracy, transparency, and compliance in sales tax matters.

According to FBR sources, taxpayers have started receiving electronic notices advising them to review and correct discrepancies in their sales tax declarations. This move marks a major step toward digital governance and automation within the tax system.

Under Section 50B of the Sales Tax Act, 1990, the FBR is authorized to issue electronic intimations for scrutiny, analysis, and cross-matching of sales tax returns. The newly implemented computerized system enables electronic monitoring of returns, ensuring that any inconsistency or error detected can be promptly communicated to the taxpayer.

The electronic scrutiny process is designed to serve as an advisory mechanism rather than immediate enforcement, giving taxpayers an opportunity to clarify or correct their records before any legal or penal action is taken. This preventive approach promotes voluntary compliance and reduces disputes.

Additionally, the system maintains a digital record of issues detected, notices issued, responses received, and actions taken—providing Inland Revenue officers with a complete electronic trail for audit and reporting purposes.

The FBR emphasized that this electronic initiative will enhance efficiency, transparency, and accountability, reinforcing its commitment to modernizing Pakistan's tax administration through advanced digital tools. [Courtesy. pkrevenue.com](http://pkrevenue.com)

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### **FBR CONFIRMS OCTOBER 15 AS FINAL DEADLINE FOR RETURN FILING**

The Federal Board of Revenue (FBR) has reaffirmed that the deadline for filing the annual income tax return for the tax year 2025 will end on October 15, urging taxpayers to complete their return filing process on time.

An FBR official clarified that the deadline had already been extended once, from September 30 to October 15, under Income Tax Circular No. 4 of 2025-26. "There is very little chance of another deadline extension," the official emphasized, advising taxpayers not to delay their return filing any further.

According to the circular, "The FBR is pleased to communicate that the date of filing of income tax return for tax year 2025, for those required to file by September 30, has been extended to October 15, in response to numerous requests from trade bodies, taxpayers, and tax bar associations."

Before this extension, several stakeholders had raised concerns about technical glitches in the FBR's IRIS portal—the online return filing system. Despite the extension, many taxpayers and consultants continue to face difficulties due to system errors and slow processing times.

Tax experts note that while some expect another short extension, the FBR appears determined to maintain the October 15 deadline to ensure timely tax compliance. They urged taxpayers to submit their returns immediately to avoid penalties and last-minute complications. [Courtesy. pkrevenue.com](http://pkrevenue.com)

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### **IMF URGES ANTI-GRAFT ACTION IN GOVT ENTITIES**

The International Monetary Fund (IMF) has asked Pakistan to address vulnerabilities in top 10 government entities that are at the "highest risk" of indulging in corrupt practices and also recommended merit-based appointments of heads in key oversight bodies.

The bodies that the global lender has recommended for merit-based appointments in its Governance and Corruption Diagnostic Assessment report are the National Accountability Bureau, the Securities and

Exchange Commission of Pakistan and the Competition Commission of Pakistan, according to government sources.

The government had committed to the IMF to publish the report by the end of July and provide an implementation plan for enforcing its recommendations by the end of October. However, the report has yet to be released, and this delay is among the issues holding up the announcement of a staff-level agreement between Pakistan and the IMF for the disbursement of the next loan tranches.

Sources said the IMF has recommended adopting and implementing a risk-based approach to address corruption vulnerabilities in federal agencies. The recommendations include publishing an action plan to mitigate risks in the top 10 government entities with the highest corruption risks and macro-critical exposures, based on a centralised assessment using pre-established and publicly available criteria.

The global lender has also proposed that Pakistan report annually on the progress of implementing the plan.

In one of the key recommendations to improve governance of the FBR, the IMF has recommended publishing the data on complaints, numbers of officials investigated for corruption, number of individuals sanctioned for corruption and number of cases passed to other enforcement agencies for action.

The IMF has prepared the report to improve governance in Pakistan, rule of law and ensure the judicial system facilitates businesses and investment instead of becoming a hurdle. The report has been prepared after holding meetings with nearly three-dozen government departments, state organs, including with the Chief Justice of Pakistan.

The IMF has prepared the report to improve governance in Pakistan, strengthen the rule of law, and ensure that the judicial system facilitates businesses and investment rather than acting as a hurdle. The report was compiled after consultations with nearly three dozen government departments and state organs, including a meeting with the chief justice of Pakistan.

To ensure that the entities responsible for accountability and oversight of the government remain independent, the IMF also wants Pakistan to ensure merit-based appointments in these organisations, sources added.

It has proposed a review of the legal frameworks governing the appointment of heads of key oversight bodies, including the Competition Commission of Pakistan, the Securities and Exchange Commission of Pakistan, and the National Accountability Bureau, to promote merit-based, transparent, and credible selection processes.

The recommendation comes at a time when the tenure of the incumbent SECP chairman is about to end and the government is in the process of

deciding whether to give him an extension or appoint his replacement. The SECP is responsible for the oversight of the corporate and equity markets while the CCP is responsible for ensuring competition in the economy.

The IMF has also proposed establishing the institutional independence of the Auditor General of Pakistan by amending its law. The AGP is currently regulated by the Ministry of Finance. The AGP performs the audit of the accounts of the federal and provincial governments. However, its reports and findings often remain unimplemented. There are also issues about the quality of these audit reports.

The global lender has also found major flaws in the weak governance structure of FBR. It has proposed to strengthen the governance and effectiveness of the FBR by improving its organisational structure and better aligning oversight and management with achieving core objectives.

Among the important recommendations, the IMF has suggested reducing the autonomy of FBR's field formations and enhancing their ability to identify and address key risks. The existing laws give extensive powers to a grade 20 officer of FBR, which in a democratic setup, should be exercised by the federal cabinet or parliament.

The IMF has recommended that Pakistan should also publish a tax simplification strategy by May of next year that reduces rate, schedules, special regimes, excessive withholding of taxes and advance taxes. The strategy should also include rationalizing the tax exemptions and withdrawing the rule making powers of the FBR.

The IMF seems not impressed by the FBR's performance. It has recommended enhancing the accountability of the FBR's operations by publishing the audit findings relating to Pakistan Revenue Automation Limited within one year. It has also proposed producing the initial public report tracking FBR's response to major audit findings, the sources added.

The IMF has also recommended strengthening the FBR headquarters' function by establishing executive committees, reducing the autonomy of the field formations and monitoring of the performance. The global lender wants a truly independent internal audit office of the FBR by separating it from reporting to the Member Inland Revenue Operations.

It has proposed the independent audit of the information technology system of the FBR and establishing an internal affairs unit under the direct supervision of the chairman FBR to enforce the integrity and anti-corruption policies within the tax machinery. [Courtesy.tribune.com.pk](http://Courtesy.tribune.com.pk)

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### **FBR COLLECTS RECORD RS2B IN WEDDING TAXES**

A significant rise has been recorded in tax collection from wedding ceremonies across the country, as authorities intensify efforts to ensure the collection of withholding tax on such events.

According to documents of the Federal Board of Revenue (FBR), during the fiscal year 2024-25, withholding tax deductions from weddings increased by 19 percent, alongside improved documentation in the event management sector.

The FBR reported that Rs2.02 billion was collected in fiscal year 2024-25 as withholding tax on weddings, compared to Rs1.70 billion in the previous fiscal year, reflecting an increase of around Rs500 million, mainly due to stricter monitoring. The documents further reveal that wedding-related spending surged sharply in the three major cities - Karachi, Lahore, and Islamabad.

Under Section 236CB of the Income Tax Ordinance, 2001, the FBR collects taxes from wedding halls, marquees, and hotels. Advance tax is also charged on events held at restaurants, clubs, and community centres.

Additionally, the documents show that taxes are also being collected on catering, decoration, and other services linked to wedding events.

According to the report, a 10 percent withholding tax applies to individuals listed on the Active Taxpayers List, while non-filers are charged 20 percent. This tax can be adjusted against the annual tax liability of filers.

FBR officials said the drive to monitor wedding ceremonies aims to bring undocumented sectors into the tax net. They noted that the wedding industry generates substantial income, but much of it remains outside formal taxation.

Officials added that given the extravagant spending on weddings, the sector holds strong potential to become a consistent revenue source for the government. [Courtesy tribune.com.pk](https://tribune.com.pk)

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**IN THE SUPREME COURT OF PAKISTAN**  
(Appellate Jurisdiction)

**Present:**

Mr. Justice Yahya Afridi, CJ  
Mr. Justice Muhammad Shafi Siddiqui  
Mr. Justice Miangul Hassan Aurangzeb

**Civil Petition No. 3110 of 2025**

*[Against judgment dated 19.05.2025 of the Islamabad High Court, Islamabad passed in Custom Reference No.25 of 2024]*

*The Collectorate of Customs (Enforcement), Islamabad. ... Petitioner*

**Versus**

*Danish Zaheer and others. ... Respondents*

For the Petitioner: Mr. Muhammad Mumtaz Ali, ASC.  
Syed Rifaqat Hussain Shah, AOR.  
Mr. Ashraf Ali, Chief Legal Customs, FBR.

For the Respondents: Not represented.

Date of Hearing: 06.10.2025.

**ORDER**

**Muhammad Shafi Siddiqui, J.** We have heard the learned counsel for the parties and perused the material available on record.

2. In this petition the primary question as emerge is of passing of an order-in-original within the requisite time frame in terms of section 179(3) of the Customs Act, 1969 (hereinafter referred to as the "**the Act**").

3. There was a split judgment between Member (Judicial) and Member (Technical) of the Customs Appellate Tribunal, Islamabad Bench-II (hereinafter referred to as "**the Tribunal**") and therefore the matter was referred to Referee Member of the Tribunal. The Member (Judicial) found that the order-in-original was issued beyond the prescribed period of limitation,

whereas, the Member (Technical) considered it to have been passed within time. The Referee Member agreed with the Member (Judicial).

3. The record reflects that the show cause notice was issued on 27.04.2020 and 90 days limitation period for issuing an order-in-original expired on 26.07.2020 (90 days). The order-in-original was passed on 10.08.2020 and hence was time barred. It seems that the Collector (adjudication) granted himself an extension without recording reasons and hence under no stretch of imagination could be considered as valid extension of time. Even otherwise this extension has no application.

4. The question of the manner in which the limitation under section 179 (3) of the Act is to be determined in a case where section 2(s) of the Act has been invoked, is apparent by plain reading of relevant proviso. Where section 2(s) of the Act has been invoked, the limitation period for issuing an order-in-original after the date of issuance of the show cause notice is 30 days and in such cases the Collector is not vested with any kind of jurisdiction insofar as extension of time in terms of section 179(3) of the Act is concerned. The accusations in the show cause notice revolves around section 2(s) of the Act which was issued on 27.04.2020 and the order-in-original was passed on 10.08.2020. The Collector (Adjudication) and the Tribunal wrongly presumed that the period prescribed under section 179(3) of the Act for the purpose of issuing an order-in-original in respect of cases brought under section 2(s) of the Act is also 90 days which is incorrect. For convenience, we reproduce section 179(3) and its proviso:

*“(3) The cases shall be decided within ninety days of the issuance of show cause notice or within such period extended by the Collector for which reasons shall be recorded in writing, but such extended period shall in no case exceed sixty days.*

*Provided that in cases, wherein the provision of clause (s) of the section 2 have been invoked, such cases shall be decided within a period of thirty days of the issuance of show cause notice:"*

5. Thus, the above proviso would make it clear that insofar as goods falling in section 2(s) of the Act are concerned, the requisite time-frame for passing order-in-original is 30 days for which no extension is permitted in the law.

6. For the reasons noted above, we are not inclined to interfere with the impugned judgment of the High Court. Consequently, this petition is dismissed and leave to appeal is refused.

Chief Justice

Judge

Judge

Islamabad:  
06.10.2025  
Approved for Reporting  
[Asif Bhatti]