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## FBR Eases Tax Measures After Traders Protest

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The federal government has introduced softer tax enforcement measures in response to mounting pressure from Pakistan's business community, following widespread protests in major cities. New circulars issued by the Federal Board of Revenue (FBR) outline key modifications to fiscal policies introduced in the recent federal budget.

Traders in cities including Lahore and Karachi staged shutdown strikes last month to protest what they described as harsh and arbitrary tax enforcement tools. These included provisions allowing the FBR to arrest individuals in suspected tax fraud cases, declare

certain cash expenses as taxable income, and deploy officers to monitor business activities directly.

In a bid to ease tensions, the FBR has now clarified several contentious provisions through subordinate legislation. Notably, it stated that **cash deposits against invoices in sellers' bank accounts** will now be treated as valid banking transactions. This change significantly alters an earlier stance that treated such payments as ineligible for expense deductions under certain thresholds.

The revised circular also emphasizes that enforcement measures, including arrest powers, will be **used judiciously** and only with approval from redressal committees made up of both FBR officials and representatives from the business sector. Arrests will only be authorized in cases involving **tax fraud exceeding Rs50 million**, and only if specific conditions apply, such as risk of tampering with documents or evasion of investigations despite multiple notices.

On the issue of **sales tax refund claims**, the FBR has amended its approach to artificial intelligence-based compliance tools. The authority now requires **meaningful consultation with trade bodies** before applying any restrictions on input tax adjustments. This change is intended to prevent arbitrary reductions in refund claims flagged by the Compliance Risk Management (CRM) system.

The FBR also confirmed that enforcement measures such as **freezing bank accounts, sealing business premises, and barring property transfers** will be executed only after **proper public notices and hearings**, involving both tax officers and chamber representatives.

Furthermore, under the new guidance, **agricultural transactions** remain largely exempt from cash-related expense disallowances, except when conducted by intermediaries.

The government's updated approach appears aimed at striking a balance between increasing tax compliance and avoiding further escalation with traders. By reinforcing procedural safeguards and engaging business stakeholders in the enforcement process, the FBR hopes to promote documentation without stifling legitimate commercial activity.