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S. A. Salam's
Income Tax
Ready Reference

Update No. 07 of 2023 – November 30, 2023

Brief Summary of Material

It gives me great pleasure to complete **7th** update of Income Tax Ready Reference. This update comprises of **04** pages:—

Page Description Subject

Circulars 2023

(Please replace existing page 17 & 18)

18	Cir No. 04 of 23 30-09-2023	Extension in date of filing of Income Tax Returns for the Tax Year 2023
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Notifications 2023

57	SRO 1588(I)/23 21-11-2023	Tax on Windfall Profits of Banks
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Yours sincerely,
Abdul Rab Khan
(Manager)

- (v) Section 7E of the Ordinance does not apply on immoveable property owned by a local authority, a development authority and builders and developers for land development and construction, subject to the condition that such persons are registered with Directorate General of Designated Non-Financial Business and Professions (DNFBP). Therefore, where the seller or transfer is a local authority, development authority and builders or developers for land development and construction, such seller or transferor will furnish to the transferring authority of immovable property a certificate of aforesaid registration with DNFBP as well as furnish certificate from the authority concerned to the affect that the property under sale or transfer is being sold or transferred after development or construction. The transferring authority after obtaining these aforesaid certificates will execute the transfer without seeking from the such seller or transferor evidence of payment of tax u/s 7E or the Form-A attached to Circular No. 01 of 2023-24 dated 21st July, 2023.

5. Other contents of the circular shall remain the same unless further substituted or amended subsequently.
6. This explanatory Circular, which is being issued for facilitating the sale of property or transfer transactions, will be valid for an interim period till development of an automated system for this purpose.
7. In case of any conflict between this Circular and the letter of the law, the latter would prevail.

(Naveed Mukhtar)
Secretary (Income Tax Budget)

Form-B

Form of Declaration of Non-Residency by Non-Resident Pakistanis
[Section 7E read with section 236C(2A)]

To The Concerned Transferring/Registering/Attesting Authority [Name],
Address

Sir,

Whereas [Name of seller/transferor] was non-resident in Pakistan in respect of the Tax Yea(s) _____ ending on [insert: Date.....], and that my period of stay in Pakistan during:

- (i) 01.07.2021 to 30.06.2022 consist of [insert total number of days in aggregate]; and
- (ii) 01.07.2022 to 30.06.2023 consist of [insert total number of days in aggregate] or my stay outside Pakistan during the period 1.07.2022 to 30.06.2023 in other country [insert name of the County] consist of [insert total number of days in aggregate] and by virtue of that stay in that other country [insert name of the County], was held to be resident of that other country [insert name of the County] by its taxation authority.

2. My Particulars of entry into or exit from Pakistan as per the stamp affixed in my passport [Enter Passport Number] for the period 01.07.2021 to 30.06.2022 and 01.07.2022 to 30.06.2023 are given as under:

Period from 01.07.2021 to 30.06.2022	Period from 01 .07 .2022 to 30.06.2023
Insert: From.....To] (insert multiple entries if more than one entry into and exit from Pakistan during the above period)	Insert: From..... To.....] (insert multiple entries if more than one entry into and exit from Pakistan during the above period)

3. Relevant particulars are as under, namely:-

- (a) Name of the Seller/Transferor: -----
 (b) CNIC / NICOP / POC No (please retain a copy): -----
 (c) Complete address of the immovable Property under sale/trans -----

Verification

I _____ son/daughter/wife of Mr. _____ solemnly declare that to the best of my knowledge and belief, the information given in this declaration and the annexures and statements accompanying it is correct.

2. I also declare that to the best of my knowledge, I have not concealed any fact or information which could be relevant for the purpose of this declaration.

3. I further declare that I am making this declaration in my capacity as (designation) and that I am competent to make this declaration and verify it.

Date _____

Signatures _____

Place _____

Name: _____

[2023 ITC 04]

No. 6(1)S(IR-Operations)/2022/48652-R

GOVERNMENT OF PAKISTAN
 REVENUE DIVISION
 FEDERAL BOARD OF REVENUE

Circular No. 04 of 2023-24

Islamabad, September 30, 2023

Income Tax

Subject: Extension in date of filing of Income Tax Returns for the Tax Year 2023

In exercise of powers conferred under Section 214A of the Income Tax Ordinance, 2001, the Federal Board of Revenue is pleased to communicate that the date of filing of Income Tax return for Tax Year 2023, for the persons who are required to file their returns by September 30, 2023 is extended to October 31st, 2023, in view of the requests from various trade bodies and Tax Bar Associations.

Bilal Zamir
 Secretary (Revenue Budget)

[2023 ITN 19]

Tax on Windfall Profits of Banks

S.R.O. 1588(I)/2023, Islamabad, the 21st November, 2023.- In exercise of the powers conferred by sub-section (2) of section 99D of the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Government is pleased to-

- (a) specify the banking companies to be the sector for the purpose of the section 99D;
- (b) determine that the method by which the windfall income, profits and gains are required to be computed shall be in accordance with the provisions of paragraph 2 below;
- (c) specify that the rate of tax for the purpose of the said section 99D shall be forty percent;
- (d) specify that the scope of windfall income, profits and gains shall be as computed in paragraph 2 for the calendar years 2021 and 2022 corresponding to tax years 2022 and 2023 respectively, for the purpose of the section 99D;
- (e) appoint the 30th day of November, 2023 to be the date by which the payment of the additional tax for the purpose of the section 99D shall be made, or within such extended period not exceeding fifteen days, as the Commissioner, for reasons to be recorded in writing may allow, on an application in writing for extension of date by the taxpayer; and
- (f) specify that payment of the additional tax shall be made in the federal treasury through a prescribed challan or computerized payment receipt.

2. The windfall income, profits, and gains shall be computed in accordance with the following formula namely:

Windfall Income, profits, and gains for TY 2022 (CY 2021) = [Fx Income₂₀₂₁ - AM₂₀₂₂]

Windfall Income, profits, and gains for TY 2023 (CY 2022) = [Fx Income₂₀₂₂ - AM₂₀₂₃]

Where-

- i. TY = Tax Year;
- ii. CY= Calendar Year;
- iii. $AM_{2022} = [Fx\ Income_{2015} + Fx\ Income_{2016} + Fx\ Income_{2017} + Fx\ Income_{2018} + Fx\ Income_{2019} + Fx\ Income_{2020}]/6$;
- iv. $AM_{2023} = [Fx\ Income_{2016} + Fx\ Income_{2017} + Fx\ Income_{2018} + Fx\ Income_{2019} + Fx\ Income_{2020} + Fx\ Income_{2021} - Windfall\ Income\ CY2021]/6$;
- v. For the purposes of this paragraph, Fx Income₂₀₁₅, Fx Income₂₀₁₆, Fx Income₂₀₁₇, Fx Income₂₀₁₈, Fx Income₂₀₁₉, Fx Income₂₀₂₀, Fx Income₂₀₂₁, Fx Income₂₀₂₂ means foreign exchange income as disclosed in the financial statements or notes thereto for the calendar years relevant to tax year 2016, tax year 2017, tax year 2018, tax year 2019, tax year 2020, tax year 2021, tax year 2022 and tax year 2023:

Provided that if windfall income for CY 2021 relevant to TY 2022, as computed under this paragraph, is negative, the value of said windfall income shall be taken as zero for the purpose of computation of AM2023:

Provided further that for the purpose of computation of AM2022 or AM2023, where loss has been disclosed under the head of foreign exchange income in any calendar year, such amount of loss shall be excluded from the computation along with exclusion of number of year(s), as used in the denominator of above formula.

Illustration I:

Bank's Foreign Exchange Income as declared in Financial Statements:

Rs. In Billion

CY	2015	2016	2017	2018	2019	2020	2021	2022
Fx Income	1.0	1.1	1.5	2	1.3	1.5	2.5	3.0
Arithmetic Mean for TY 2022	AM ₂₀₂₂ = (1.0+1.1+1.5+2+1.3+1.5)/6						1.4	-
Arithmetic Mean for TY 2023	AM ₂₀₂₃ = (1.1+1.5+2+1.3+1.5+1.4)/6							1.46
Windfall Income, profits, and gains							2.5-1.4 = 1.1	3.0 - 1.46 = 1.54
Windfall Income, profits, and gains for CY 2021							1.1	
Windfall Income, profits, and gains for CY 2022								1.54
Total Windfall Income, profits, and gains (CY 2021 + CY 2022)							1.1+1.54 = 2.64	
Additional Tax under section 99D @ 40%							1.056	

Illustration II:

Bank's Foreign Exchange Income as declared in Financial Statements:

Rs. In Billion

CY	2015	2016	2017	2018	2019	2020	2021	2022
Fx Income	1.0	-1.1*	1.5	2.0	1.3	1.5	2.5	3.0
Arithmetic Mean for TY 2022	AM = (1.0+1.5+2.0+1.3+1.5)/5*						1.46	-
Arithmetic Mean for TY 2023	AM = (1.5+2.0+1.3+1.5+1.46)/5*						-	1.55
Windfall Income, profits, and gains							2.5-1.46 = 1.04	3.0 - 1.55 = 1.45
Windfall Income, profits, and gains for CY 2021							1.04	
Windfall Income, profits, and gains for CY 2022								1.45
Total Windfall Income, profits, and gains (CY 2021 + CY 2022)							1.04+1.45 = 2.49	
Additional Tax under section 99D @ 40%							0.99	

*this amount of loss is excluded along with reduction in the number of years.

[F.No.1(10)Rules & SROs/2023]

(Ashfaq Ahmed Qureshi)
Additional Secretary